STATISTICAL COMMISSION
Fourteenth session
Item 3 of the provisional agenda

REPORT OF THE SECOND SESSION OF THE EXPERT GROUP
ON THE REVIEW OF NATIONAL ACCOUNTS AND BALANCES
## CONTENTS

<table>
<thead>
<tr>
<th>Paragraphs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. INTRODUCTION</strong> ................................................. 1</td>
</tr>
<tr>
<td><strong>II. PROPOSALS FOR REVISING THE SNA, JUNE 1966</strong> .................. 3</td>
</tr>
<tr>
<td><strong>A. The introductory chapter of E/CN.3/345</strong> ......................... 6</td>
</tr>
<tr>
<td>(a) Scope ...................................................... 6</td>
</tr>
<tr>
<td>(b) The purpose of the standard tables ............................... 8</td>
</tr>
<tr>
<td>(c) Terminology ................................................ 9</td>
</tr>
<tr>
<td><strong>B. The structure of the system</strong> .................................... 10</td>
</tr>
<tr>
<td>(a) Character of the description .................................... 10</td>
</tr>
<tr>
<td>(b) The role of the matrices ..................................... 11</td>
</tr>
<tr>
<td>(c) Production and consumption expenditure accounts for the services of general government and private non-profit organizations serving households ...................................... 12</td>
</tr>
<tr>
<td>(d) The treatment of producers' outlays on health, recreation and similar facilities .......................... 13</td>
</tr>
<tr>
<td><strong>C. The transactors of the system</strong> ................................ 14</td>
</tr>
<tr>
<td>(a) Organization of chapter III .................................. 14</td>
</tr>
<tr>
<td>(b) The monetary system and financial claims ....................... 15</td>
</tr>
<tr>
<td>(c) Social security and insurance schemes .......................... 21</td>
</tr>
<tr>
<td>(d) Households .................................................. 22</td>
</tr>
<tr>
<td>(e) Transactor units and classifications for general government agencies .............................................. 23</td>
</tr>
<tr>
<td>(f) Classification of kind of economic activity .................... 29</td>
</tr>
<tr>
<td>(g) Definition of resident economic agents ........................ 30</td>
</tr>
<tr>
<td><strong>D. Transactions on the production, consumption, expenditure and capital expenditure accounts</strong> ............ 31</td>
</tr>
<tr>
<td>(a) Supply and use of goods and services and the gross domestic product ........................................ 31</td>
</tr>
<tr>
<td>(b) Services charges for banks and similar financial intermediaries ..................................................... 32</td>
</tr>
<tr>
<td>(c) Allocation of consumption expenditure between households and general government ......................... 35</td>
</tr>
<tr>
<td>(d) Allocation of consumption expenditure between Governments .................................................. 40</td>
</tr>
</tbody>
</table>
CONTENTS (continued)

(e) The classification of households’ goods and services ........................................ 41
(f) Gross capital formation ........................................ 42
(g) Exports and imports of goods and services ........................................ 45

E. Transactions on the income and outlay and capital finance accounts ......................... 46
   (a) Compensation of employees ........................................ 46
   (b) Indirect taxes and subsidies ........................................ 47
   (c) Current transfers ........................................ 48
   (d) Saving ........................................ 49
   (e) Capital transfers ........................................ 50
   (f) Purchases of land, other non-reproducible tangible assets, etc. .................. 51

F. The standard accounts and tables ........................................ 52
   (a) General comments on the accounts ........................................ 52
   (b) General comments on the tables ........................................ 58
   (c) Data on incomes according to type ........................................ 60
   (d) Tables relating to the production, consumption expenditure and capital expenditure accounts ........................................ 63
   (e) Tables in constant prices ........................................ 64
   (f) Tables relating to the incomes and outlay and capital finance accounts .................. 66

G. Adaptation of the system to the developing countries ........................................ 68

III. NATIONAL AND SECTOR BALANCE SHEETS ........................................ 75
   A. Real assets ........................................ 78
   B. Consumer durables ........................................ 82
   C. Conformity with the flow accounts ........................................ 83
   D. The valuation of financial claims ........................................ 84
      (a) Financial assets (Item 3, table 3 of ST/STAT/12) ........................................ 86
      (b) Financial liabilities (Items 1 (a) and 2, table 3 of ST/STAT/12) .................. 87

/...
## CONTENTS (continued)

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV. INCOME DISTRIBUTION STATISTICS</td>
<td>88</td>
</tr>
<tr>
<td>A. Aims of a system of income distribution</td>
<td>90</td>
</tr>
<tr>
<td>B. The unit of observation</td>
<td>94</td>
</tr>
<tr>
<td>C. Classifications</td>
<td>98</td>
</tr>
<tr>
<td>D. Total consumption of the population</td>
<td>99</td>
</tr>
</tbody>
</table>
I. INTRODUCTION

1. The second session of the Expert Group on the Review of National Accounts and Balances met in Geneva, Switzerland, from 18 through 29 July 1966. The Group was composed of: Mr. Odd Aukrust, Central Bureau of Statistics, Norway; Mr. B. Ferrán, Central Bank of Venezuela; Mr. George Jaszi, Office of Business Economics, United States; Mr. J.D. Mayer, National Institute of Statistics and Economic Studies, France; Professor M.D. McCarthy, Central Statistical Office, Ireland; Mrs. M. Móđ, Central Statistical Office, Hungary; Mr. C.A. Oomens, Central Bureau of Statistics, Netherlands; Professor Richard Stone, Department of Applied Economics, University of Cambridge, England; and Dr. S.G. Tiwari, Central Statistical Organisation, India. Also participating in the second session of the Expert Group were Messrs. L. Dicks-Mireaux, A. Calleja and J. McGibbon, Statistics and National Accounts Division, Organisation for Economic Co-operation and Development; Messrs. P. Erba and J. Petre, Statistical Office of the European Communities; and Mr. Earl Hacks, Bureau of Statistics, International Monetary Fund. Professor Richard Stone was re-elected Chairman of the second session of the Group.

2. The main documents considered by the second session of the Expert Group were: Proposals for Revising the SNA, 1952 (June 1966), E/CN.3/545, prepared by the Statistical Office of the United Nations; National and Sector Balance Sheets, ST/STAT/12, prepared by Professor Richard Stone, as consultant to the Statistical Office; and Income Statistics of the Population, Working Paper No. 1, prepared by Mrs. A. Margaret Móđ, as consultant to the Statistical Office. In addition, a paper, The Links between Social Redistribution Statistics and the System of National Accounts, was submitted by Mr. J. Petre, Statistical Office of the European Communities. The Group took this paper into account in the discussion of the income and outlay accounts and supporting tables proposed in document E/CN.3/545 and of income distribution statistics.
II. PROPOSALS FOR REVISING THE SNA, JUNE 1966

3. This part of the report gives the results of the Expert Group's discussion of document E/CN.3/345. It presents the modifications in, and additions to, the proposals of the document which were recommended by the Group. It also includes the suggestions of the Expert Group concerning the character and organization of later versions of the document on the revised SNA and the problems which require further study. During the course of the discussion of E/CN.3/345, the Group drew attention to a few cases of lack of consistency in the use of terms, desirable changes in the detail of classifications, and the like. While these comments were noted for use in preparing the next version of the proposed system, in a number of instances, they are not recorded in this report.

4. In discussing document E/CN.3/345, the Expert Group concentrated on the proposed alterations in, and additions to, document E/CN.3/320, A System of National Accounts (Proposals for the Revision of SNA, 1952). These proposals resulted from consultations and studies in respect of the revision of the SNA which were completed since the preparation of E/CN.3/320. The proposals in E/CN.3/345 do not cover all of the topics dealt with in E/CN.3/320. For example, the concepts and methods of constant prices, the special problems of input-output analysis, national and sector balance-sheets, and regional accounting, are not discussed. On the other hand, complete definitions and classifications for all accounts of the proposed SNA other than balance-sheets, and a chapter on the adaptation of the system to the circumstances of the developing countries, have been added. The Group also considered problems in respect of these accounts which had not been resolved in the course of the consultations and studies carried on during the last year and a half.

5. The Expert Group considered the proposals of document E/CN.3/345 and the questions which remained unsolved in the light of the discussions and conclusions of the thirteenth session of the Statistical Commission and of the regional and other meetings on the review of the systems of national accounts and balances. The proposals were reviewed in the light of the consensus reached in these meetings and the adequacy and consistency of the resulting accounting system. Other major considerations taken into account were the success with which issues identified in the course of the meetings were resolved and the extent to which problems, concepts and definitions were clarified.
A. The introductory chapter of E/CN.3/345

(a) Scope

6. The Expert Group agreed that the introductory chapter of E/CN.3/345 should be amplified in the next document on the proposed new SNA. It was considered desirable to describe the circumstances which led to the review of the SNA more fully than in documents E/CN.3/345 or E/CN.3/320. This description should cover the analytical requirements and statistical circumstances which led to the expansion of the national accounts to include inter-industry and flow-of-funds statistics. It will also be useful to outline the other major differences between the proposed and present SNA.

7. The revised system is designed to serve a number of purposes - for example, to furnish guidance for the development nationally, of systems of national accounts and co-ordinated basic statistics, to suggest the national accounting data which will meet various kinds of analytical requirements, and to furnish the basis for formulating international reporting requirements. In this connexion the Group noted that the system is designed to provide goals for the annual and less frequent, but not quarterly, compilation of national accounting data. The relation of the various aspects of the proposed system to these aims should be indicated in order to facilitate the evaluation and use of the document on the revised SNA. A wide range of analytical needs are served by the data of the system; and these data differ considerably in level of complexity and detail. The type of uses to which various classes of data may be put should therefore be outlined.

(b) The purpose of the standard tables

8. At this juncture the Expert Group discussed the role of the standard tables in the revised SNA. It was noted that in devising a system of international reporting based on the revised SNA, data would be selected from the standard tables and accounts in the light of the requirements of international studies and the general availability of data. For purposes of publication of data nationally, countries would also find it necessary to make selections from the standard tables and accounts, and to arrange these data into tabulations, in the
light of their own requirements and circumstances. It was suggested that the standard tables should call for the data of the system which countries with advanced statistical systems might be expected to have, or to develop, over the coming years.

(c) Terminology

9. The Group noted with approval that the terms "real and financial" to refer to the production, consumption expenditure and capital expenditure accounts and the income and outlay, capital finance and balance sheets accounts, respectively, were not utilized in E/CN.3/345. It was suggested that the consolidated accounts for the nations be referred to by this phrase, rather than as the national accounts. The latter term would be suitably employed to describe the totality of accounts, tables and matrices of the system. The Group considered that it would be valuable to provide a glossary of terms in the final document on the revised system.

B. The structure of the system

(a) Character of the description

10. It was noted that chapter II of E/CN.3/345 is intended to be an abbreviated outline of the formal structure of the system in view of the description furnished in E/CN.3/320. It is contemplated that the next document on the revised SNA will contain a number of chapters on the structure of the system. The Group felt that in the final version of the new SNA considerable attention should be devoted to the pedagogical aspects of describing the system. It was suggested that utilizing the standard accounts in addition to the matrices of the system for this purpose should be helpful in this, as well as other, respects. Indicating the role and character of the various accounts appearing in the full matrix (e.g., accounts for transactors, accounts primarily for reclassifying transactions, accounts for accumulating the re-distributing given flows) may also facilitate understanding of the structure of the system. It would be useful for this purpose to explore rearrangements of the matrices of the system which differentiate between the classes of accounts.

/...
(b) **The role of the matrices**

11. The Group agreed that the matrices should delineate the framework of the revised SNA and the interrelationships between the various accounts, transactions and classifications of the system. It should be possible to derive the standard accounts and tables from the full matrix of the system. However, the full matrix should not be overly complicated in order to show explicitly tables or accounts designed to meet special needs. Examples of such tables included in E/CN.3/345 are the classification of outlays of general government on consumption expenditure, current and capital transfers, and loans according to purpose; and the classification of gross output in order to indicate the relative magnitudes of subsistence and market production in the developing countries. It is also likely to be inconvenient to show in the full matrix the special accounts for use by developing countries which are suggested in E/CN.3/345 or the data on the stock of fixed capital classified according to industries which the Expert Group thought should be included in the system. (See paragraphs 69 and 78 below.) In describing the structure of the system, the included classifications of transactors and transactions which are supplementary to those shown in the full matrix should be discussed in relation to the matrix.

(c) **Production and consumption expenditure accounts for the services of general government and private non-profit organizations serving households**

12. The Group noted with approval the separation of private non-profit institutions mainly serving households from households and the clear distinction now drawn in the system between the roles of general government, as well as of private non-profit organizations, as producer and consumer. The majority of the Group felt that domestic service should constitute another class of production accounts, instead of being included among industries. The cost structure of domestic service is much simpler than that of an industry; and in this view, domestic service should not be classified as a commodity. This will mean that an "O" entry will appear in the matrix for the sales from the production account of domestic service to the consumption expenditure account of households. The major portion of the receipts on the production accounts of the services of general government and private non-profit institutions will consist of "O" entries,
mostly on the consumption expenditure accounts of general government and private non-profit units, respectively. However, some of these receipts will be for the sale of commodities to other sectors, i.e., be represented by "M and X" entries.

(d) The treatment of producers' outlays on health, recreation and similar facilities

13. Regional working groups had referred to the Expert Group, the question of the appropriate treatment of outlays on health, recreational and like facilities which producers furnish to their employees collectively. In E/CN.3/345 these outlays were included in the intermediate consumption of the producers because the expenditure is not made exclusively for the benefit of the employees individually. None the less, for such purposes as compiling data on the total consumption of the population, it might be desirable to consider these outlays as a form of final consumption. After exchanging views on the issues involved, and means of dealing with the outlays as a form of collective final consumption, the Group decided that the problem required much further study.

C. The transactors of the system

(a) Organization of chapter III

14. It was suggested that the chapter should be reorganized so as to indicate more clearly differences in the sectoring between the production, consumption expenditure and capital expenditure accounts, on the one hand, and the income and outlay and capital finance accounts, on the other. In particular, clarification of these differences would be desirable in the case of unincorporated enterprises, general government and private non-profit institutions serving households. The reasons for the differences in sectoring should also be more fully and explicitly described.

(b) The monetary system and financial claims

15. The Group discussed the proposals in E/CN.3/345 that the monetary functions of the treasury be classified in the sub-sector "Central Government" and that in standard table 21 of annex II, chapter VI, the main categories of the classification of financial claims draw distinctions according to type of instrument, together. These proposals differ from the proposals in E/CN.3/320
that the monetary functions of the Treasury be classified in the sub-sector "Monetary authority", together with the Central Bank, and that in the standard table corresponding to table 21 of E/CN.3/345 (table 11 of chapter XI, E/CN.3/320), foreign and national claims be distinguished, one from the other, at the first level of classification.

16. The experts noted that in a number of countries, the financial transactions of Central Government combine a part, or all, of the finance of balance of payments surpluses or deficits with domestic lendings and repayments. This is the case where the treasury or a government-operated Exchange Fund holds part, or all, of the country's foreign reserves and/or account with the International Monetary Fund. The combination in these circumstances of the domestic lending of the Central Government with its purchases of the gold and foreign exchange as a result of a favourable balance of payments will reduce the usefulness of the Central Government's accounts for economic analysis. This is due to the fact that the Central Government's acquisition of domestic financial assets contributes to the expansionary effect of its transactions on the economy and hence to balance of payments pressures. Likewise, the values for economic analysis of the accounts of the Central Bank, or of the consolidated monetary system, will be limited when the domestic and balance of payments transactions in claims of the Central Government are combined since these accounts will show the financing of the Central Government's purchases of gold and foreign exchange as domestic credit, i.e., as the loans to Government.

17. It was recognized that these problems could not be resolved by defining a sub-sector for the monetary authority which would include the Central Bank and the monetary functions of the Treasury, given the classification of financial claims of table 21 in E/CN.3/345. In this classification, the type of instrument is the criterion for defining the main categories and the debtor sector is the basis for delineating subsidiary categories. In order to segregate the international reserves of the Treasury, it would be necessary to sub-divide selected categories of claims in respect of the rest of the world to distinguish for example: inconvertible currencies from convertible currencies; reserve holdings from working balances; accounts with International Monetary Fund from other deposits, notes and capital participations; "Roosa" bonds from other bonds. In the case of the international reserves of the Central Bank, it would be necessary to separate "payment agreement balances" from other deposits.
18. The Group therefore decided to leave the monetary functions of the Treasury in the sub-sector "Central Government" and to divide the columns in table 21 for the Central Government and the Central Bank so as to distinguish, instrument by instrument, those holdings which make up the international reserves and those liabilities which are offsets to these reserves in calculating net international reserves. This would make Part (b) of the present table 21 unnecessary. The Group also agreed that the definition of the categories of the classification of financial claims in table 1, chapter V of E/CN.3/345, should be changed to accord with table 21. In distinguishing between short-term and long-term claims in table 1, the criterion of original maturity, instead of actual maturity, should be utilized in all cases.

19. The Group did not think that the consequential changes resulting from its recommendations concerning the classification of financial claims and the treatment of the monetary functions of the Treasury should be carried throughout all the accounts and tables, but did think that these decisions might have implications for the accounts and tables. The Secretariat was therefore requested to review the consequence of the decisions in consultation with the International Monetary Fund and to consult with members of the Group if necessary. (Also see paragraph 67 below.)

20. The experts also agreed that the sub-sector "Monetary system" should be replaced by two sub-sectors "Central Bank" and "Other Monetary Institutions".

(c) Social security and insurance schemes

21. The Group pointed out that the existence of social security schemes in which some members of the community could enroll voluntarily may require additions to the definition of social security arrangements in paragraph 26, chapter III of E/CN.3/345, and to the discussion of voluntary insurance schemes provided by general government agencies in paragraph 41 of the chapter.

(d) Households

22. The experts considered that it was insufficient to classify the households into the households of owners of unincorporated enterprises and other households, as proposed in paragraph 50, chapter III and that this topic required further
study in the context of the distribution of incomes and the consumption and
capital transactions of households before a scheme for classifying households
could be included in the revised SNA. (See paragraphs 51 and 98 below). The Group
discussed the statistical units to be utilized in respect of the population as
part of the subject of income distribution statistics. It was thought that the
definitions of the statistical units given in paragraphs 14 and 15 of chapter III
were on the whole suitable for purposes of income distribution and related
statistics. (See paragraphs 94-97 below).

(c) Transactor units and classifications for general government agencies

23. The Group discussed the definition of the transactor units for general
government agencies in paragraphs 9-12 of chapter III and the proposed
classifications of general government services and purposes, one in relation to the
other. It was emphasized that the classification according to purpose should
apply to all types of general government transactions. The definitions given
in paragraphs 9-12 were considered to be acceptable on the whole. However,
in view of the studies and experiments which were being, or would be, conducted
in a number of countries in respect of the compilation of data on general
government activities, the experts recommended that a larger measure of
flexibility be allowed for in these definitions. It may, for example, prove
feasible to approximate functional classifications of these data more closely
than is implied in the definitions in question. For the same reasons, the Group
recommended that the title of table 2 in chapter III, on the classification of
general government purposes, should be more general in character than that given
in E/CN.3/345.

24. The Group also approved, on the whole, of the approach taken in E/CN.3/345
to attaining the required one-to-one correspondence between the classifications
of general government purposes and services. This consisted of sub-dividing the
main classes of each of these classifications which were not in one-to-one
correspondence into more detailed categories which matched for all practical
purposes. In the discussion of this question, views were expressed that the same
objective might be achieved by considering public administration and defence to
be a "purpose" or by introducing the main categories of the purpose classification
into the kind-of-activity classification.
25. The Group requested the Secretariat to study the following modifications in the classification of general government purposes:
   (i) Category 8.1 "Recreational services" to be split into two categories - 8.1 "Recreational services" and 8.2 "Cultural services". The category "Religion and services n.e.c." under 8 "Other community and social services" would then be numbered 8.3.
   (ii) The phrase "statistics on vital events" in category 5.1 to be replaced by the phrase "registration and collection of information on vital events"; and category 10 "Unallocable" to be renamed "Other outlays".

26. The experts also suggested that the categories, order and terminology of the classification of the purposes of private non-profit institutions serving household in table 3 of chapter III be aligned with those of the classification of general government purposes. In particular, Category 5 "Recreational and cultural services" should be sub-divided into 5.1 "Recreational services" and 5.2 "Cultural services".

27. It was suggested that the Secretariat evaluate the degree of balance attained between the various categories of the preceding two, as well as other, classifications by tabulating the available data for selected countries according to the classifications.

28. Attention was called to the possibility of furthering the study of including data on the total consumption of the population in the system by delineating a classification which encompasses the pertinent categories of general government purposes, private non-profit institution purposes and households' goods and services, now that the three classifications have been brought into coincidence.

(f) Classification of kind of economic activity

29. The Group requested that the Secretariat study the following changes in the classification of kind of economic activity set out in Table 1, Chapter III.
   (i) The classification of veterinary services into a category other than 1.1 "Agriculture" - possibly in 22.3 "Health services" or 19.2 "Other business services."
   (ii) The split of category 16 into two main categories - one for 16.1 "Wholesale and retail trade" and 16.2 "Storage and warehousing"; and the other for 16.3 "Restaurants, cafés, etc." and 16.4 "Hotels and other lodgings".
(iii) The inclusion of category 20 "Sanitary and similar community services" under the same main category (19) as real estate and other business services.

(g) Definition of resident economic agents

30. During the discussion of paragraphs 55-69, chapter III of E/CN.3/345, on the definition of the resident economic agents, the following points were made:

(i) The use of the term "registered" in paragraph 59 in defining resident producers in case of ships and aircraft is not appropriate.

(ii) It should be indicated that the principles set out in paragraphs 61 and 63 in respect of the division of the income of enterprises owned by the residents of two or more countries apply to all types of economic agents, not only to Governments.

(iii) The enumeration in paragraph 69 of individuals living in the domestic territory of a country who are not residents should be supplemented by the addition of medical patients, crew members and students, in order to provide an exhaustive list which is in conformity with the Balance-of-Payments Manual. It was indicated that the definition of resident general government agencies in the Manual would be altered to the definition in paragraph 66 if the latter definition were included in the final version of the revised SNA. A more thorough study of the movement of persons would be desirable in order to ensure that the definitions of resident and non-resident individuals are clear and complete.

(iv) The phrase "temporary seasonal employment" in paragraph 69 should be altered to "seasonal employment".

The Secretariat was also requested to examine the definition of resident oil and natural gas rigs operating in international waters in the light of a note submitted to the Expert Group.

D. Transactions on the production, consumption, expenditure and capital expenditure accounts

(a) Supply and use of goods and services and the gross domestic product

31. The following points were made in the course of the discussion of the introductory paragraphs 3-10, chapter IV of E/CN.3/345.
(i) It would be desirable to replace the phrase "domestic supply of goods and services" with the phrase "available supply of goods and services".

(ii) Operating surplus can only be defined as the difference between value added and the sum of compensation of employees, consumption of fixed capital and the excess of indirect taxes over subsidies. Therefore value added cannot be independently defined by adding operating surplus to its other components.

(b) Services charges for banks and similar financial intermediaries

32. The Expert Group discussed the question of imputing a charge for the services of banks and similar institutions in order to avoid the negative operating surplus that would otherwise appear.

33. It was agreed that the simple case was that of commercial banks, where the imputed service charge could be equated to property income received less interest paid out. In the case of some types of banks and other financial institutions (e.g., mutual savings banks, savings and loan associations), the principles of estimating the imputed service charge may be different. The treatment of the transactions of these institutions that should be adopted may be more akin to that recommended in E/CN.3/345 for life insurance; and may affect the distribution of saving between households and enterprises. It was therefore decided that the Secretariat should study the question of the appropriate imputation, and related aspects of the problem, in these cases.

34. In the case of commercial banks and similar institutions, it was recognized that the views expressed by regional working groups left very few viable solutions to the problem. There was general agreement on the proposition that no attempt should be made to allocate the imputation between final consumers and different categories of industries. This being so, three possibilities were considered:

(i) That no imputations be made. This was rejected as it had been by the regional and other meetings, on the ground that its consequence would be that a negative operating surplus would appear for banking.

(ii) That an imputation (equal to the excess of property income received over interest paid) be made from a dummy consumption account, which would be shown as consuming an equivalent amount of product; the product
so consumed to appear in final expenditure. This solution was rejected, mainly on the grounds that it involves an over-valuation in the domestic product, the whole of which would be recorded as operating surplus. As a consequence, the distribution of income between compensation of employees and operating surplus would be changed in favour of the latter, simply as a consequence of an imputation made for quite a different purpose.

(iii) That a dummy production account be introduced which would pay to the banking system the amount of the imputed charge and would itself show a corresponding negative operating surplus. In terms of standard tables, this would mean that after value added in the different industries had been listed, the value added for the banking system being inclusive of the imputed charge, a final item would be shown equal to the negative of the imputed charge. This solution was generally accepted by the Group. The Secretariat was requested to work out the implications of the decision for the other accounts and tables of the system.

(c) Allocation of consumption expenditure between households and general government

35. The subjects of allocating consumption expenditure between households, on the one hand, and general government or private non-profit organizations on the other, and of classifying payments by households to those organizations were discussed in connexion with paragraphs 56-57 and 68-70, chapter IV of E/CN.3/345. It was agreed that with minor modifications, the treatment proposed in these paragraphs be adopted. The modifications recommended in these paragraphs and the related paragraphs 23, 43 and 46, chapter V of E/CN.3/345, are set out below.

36. Some of the sales to households of goods and services produced by general government and private non-profit organizations should be regarded as commodity sales. It was agreed that commodity sales, in general a small category, should be restricted to cases in which individuals paid the full market price for a complete product. This would mean, for example, that books bought from a government stationery office would be treated as commodity sales, but that payments made for special services, such as special or extra treatment in a government hospital where general medical treatment was otherwise free, would be classed as a non-commodity sale.
37. All other sales by general government services and private non-profit organizations should be treated as non-commodity sales. The majority of the Group considered that such entries should include payments for goods and services irrespective of whether the payment made was a purely nominal charge. All such payments by households, as well as the purchase of commodities, would of course appear in household consumption expenditure.

38. Further, it was agreed that transfers from households to general government should include such payments as court fees, fees for passports, driving and other licences, airport duties and motor vehicle duties. It was further agreed that those items which were intended mainly for the purpose of raising revenue should be treated as direct taxes and that the remainder should be treated as other transfers. It was recognized that this treatment implied that motor vehicle duties, for example, would appear as direct taxes when paid by households and as indirect taxes when paid by producers. The reason for this treatment is that no productive activity is associated in the system with the household operation of personal transport and similar durable goods, traditionally subject to such fees and payments.

39. The Group discussed similar activities to which such fees and payments might be attached. The suggestion that such fees and payments might be added to the purchase price of the particular goods with which they are associated was rejected. Taxes on owner-occupied dwellings are, however, to be classified as indirect taxes as these dwellings are part of the real estate industry.

(a) Allocation of consumption expenditure between Governments

40. The Group discussed the treatment of unilateral transfers between countries of commodities for military purposes. Consideration was given to the proposal that these should be recorded as part of the consumption expenditure of the donor country, but this view was rejected. It was agreed that in conformity with the Balance of Payments Manual and the current practice in international trade statistics, these gifts should appear in imports and exports, and also in the government consumption expenditure of the receiving country, with a corresponding current transfer in the income and outlay accounts of the two countries.

/...
The classification of households' goods and services

41. The Secretariat was requested to examine the classification of households' goods and services in table 1, chapter IV of E/CN.3/345, in the light of the detailed points made by some members of the Group and the notes on this topic submitted by members of the Conference of European Statisticians.

(f) Gross capital formation

42. After some discussion, the experts accepted the proposal in paragraph 82 of chapter IV that additions to inventories should be valued at market price. It was noted that the paragraph needed some redrafting in order to make it clear that, in principle, market valuation should be utilized.

43. The Group considered whether it was appropriate to classify outlays on durable goods for civil defence as consumption expenditure. The conclusion of this discussion was that these outlays should remain a part of gross fixed capital formation, as in the present SNA.

44. A few minor changes were suggested in the classification of inventories and fixed capital formation by type in tables 2 and 3, respectively, of chapter IV; and were noted by the Secretariat.

(g) Exports and imports of goods and services

45. The Group accepted the definitions and classifications of exports and imports of goods and services set out in paragraphs 102-107 and table 4, chapter IV of E/CN.3/345. In view of the consequential lack of coincidence between the national accounts and external trade statistics in the treatment and classification of exports and imports of goods for repair, it was suggested that the inward and outward movements of these goods should be brought together in the external trade statistics and classified according to important categories of commodities.

E. Transactions on the income and outlay and capital finance accounts

(a) Compensation of employees

46. The Group recommended the strengthening of the proposal in paragraph 8, chapter V of E/CN.5/345, that the compensation of employees be subdivided into wages and salaries, including payments in kind, and employers' contribution to
social security and pension schemes in respect of their employees. In connexion with paragraph 12, it was suggested that where employers' contributions to pension schemes were imputed, the amount of the imputation and the amount of pensions actually paid should be explicitly shown on the income and outlay account as transfers between households and enterprises, whether or not these two amounts were equal.

(b) Indirect taxes and subsidies

47. It had already been decided during the discussion of household payments to general government that motor vehicle and other taxes on the use and possession of goods paid directly by households should be classed as direct taxes. In the case of producers, the Group considered that the scope of indirect taxes should be broader than that proposed in paragraph 23, chapter V of E/CN.3/345. In particular, value-added taxes should be classed as indirect taxes. Value-added taxes have been substituted for sales taxes in a number of countries, and are levied on the production of goods and services.

(c) Current transfers

48. The attention of the Group was drawn to an ad hoc inquiry of the International Labour Office on the cost of social security. This inquiry dealt with contributions and benefits under various social welfare schemes. It was noted that some of these transactions would not be explicitly shown on the proposed income and outlay accounts of the revised SNA. The suggestion was made that it would be desirable to explore this question in order to relate statistics of income redistribution with the system. The Group felt that the ad hoc inquiry of the International Labour Office should be taken into account in the discussions of a system of income distribution statistics which is related with the national accounts and balances.

(d) Saving

49. The Group recommended that the retained saving of private quasi-corporate enterprises be recorded in the saving of enterprises, instead of being transferred to the owners of these units. This was an objective of including these
enterprises in the same institutional sectors as corporations. When retained saving is attributed to private quasi-corporate enterprises, proprietors' net investment in these businesses would reflect the sums which are actually withdrawn from, or added to, the business by the owners.

(e) Capital transfers

50. The question of the treatment of capital transfers was discussed at length. It was recognized that the discussions which had taken place in the regional working groups had brought it about that the proposals of document E/CN.3/345 repeated the treatment of the present SNA, although document E/CN.3/320 had proposed a more restrictive treatment of these transfers. The meetings in the developing regions had urged the adoption of a relatively broad definition of these transfers. The Group as a whole agreed to accept the treatment in E/CN.3/345. A minority of the Group would have preferred a restricted definition of capital transfers and the routing of all transfers through the income and outlay accounts, except some highly specific transactions (such as would arise from floods and other calamities), which in private enterprises would normally be recorded in a capital adjustment account.

(f) Purchases of land, other non-reproducible tangible assets, etc.

51. It was noted that all entries under this heading were on a net basis. While it was agreed that this was appropriate in the case of land, attention was drawn to other items, such as transactions in copyrights or patents which might require a gross treatment, showing the source of the object transferred. In the discussion it was pointed out that the more important aspect of transactions of this nature lay in a field which was only now receiving any substantial amount of statistical investigation. It was thought, therefore, that for the time being it was important to have a place in the system where these transactions could be recorded, but that it would be unwise at this stage to propose a more elaborate treatment than that contained in E/CN.3/345.
F. The standard accounts and tables

(a) General comments on the accounts

52. The Expert Group discussed the accounts set out in annex I of chapter VI as a means of describing the structure of the system and of indicating the form in which the main data might be issued. With respect to the first use of the accounts, the discussion focused on the connexion between the accounts and the matrix of the system and the interrelations between the various accounts.

53. It was suggested that consumption expenditure accounts for general government and private non-profit organizations serving households be added to the Class II Accounts. The Secretariat was also requested to examine the standard accounts in the light of the comments of the Group on the accounts and matrices of the system which are set out in paragraph 10 above.

54. The Group called attention to some variance in the manner in which flows were named. Neutral terms (e.g., an identical name on the debit and the credit sides of all accounts) were utilized in the case of a number of, but not all, flows. The Group expressed a preference for the use of neutral terms; and requested the Secretariat to examine the terminology utilized in accounts and tables of the system from this point of view.

(b) Specific comments on the accounts

55. While the experts agreed to the retention of valuation at producer prices in the Class II Accounts on commodities, they wished to have other modes of valuation discussed in the explanatory notes which are to be prepared in respect of the accounts and tables. Valuation at purchaser prices and at producer prices exclusive of net commodity taxes, as well as at producer prices, should be dealt with. The possibility of a separate entry in the Class II commodity accounts on import duties should also be discussed in the explanatory notes.

56. It was suggested that the subdivision of imports into competitive and non-competitive should not be included in the case of the Class II Accounts on commodities. The information was thought to be too specialized and too difficult to compile to be included in these accounts.
57. In addition, the Group recommended the following changes in the Class II Accounts:

(i) A separate production account should be established for domestic service as it is not to be treated as an industry.

(ii) An additional sub-item under the entry "Commodities produced" is required in the production account for the services of general government and private non-profit organizations in respect of sales of commodities to households. The counterpart entries to the commodity sales of these services should be added to the Commodity (A) Accounts.

(iii) "Gross output" should be utilized instead of "Gross value of services" in the production accounts for the services of general government and private non-profit organizations. The term "consumption expenditure" should not be utilized in these accounts to refer to the portion of their production for own use.

(b) General comments on the tables

58. The Expert Group examined the standard tables set out in annex II of chapter VI in terms of the adequacy of the suggested series of data as objectives for compiling data, the possibilities and selected problems of compiling these series, and the linkage of the tables to the standard accounts. It was understood that the tables were intended to indicate the data of the system which it may be useful to compile and publish. Each country would need to select the series to be compiled and published in the light of its own requirements and circumstances. Formulating international reporting requirements will also involve a choice of series from the standard tables and accounts in the light of the analytical requirements internationally and the available data nationally.

59. The experts considered the desirability of including in the standard tables some of the data set out in the matrix of the system which had not been incorporated into the tables of E/CN.3/345, in particular, the cross-classifications of fixed capital formation by type of commodity and kind of economic activity of the purchaser, of the intermediate consumption of general government by type of commodity and kind of service, and of the consumption expenditure of households by type of commodity and object. In one view,
requirements for these data are too specialized to warrant including the series in the standard tables; and it was considered sufficient that provision is made for these cross-classifications in the matrix of the system. Some other members of the Group had found the analytical demands for these cross-classifications to be more common, but they recognized that the compilation of the data presented significant difficulties.

(c) Data on incomes according to type

60. The attention of the Group was called to the inadequacies in the data suggested in the supporting tables of annex II, chapter VI, on income shares. Property incomes are not to be subdivided according to type and limited data are called for on the classification of employee, property and entrepreneurial incomes according to institutional sector and kind of economic activity. In this view, such data furnish essential information on changes in the pattern of income shares in production and on the differences in the payments and sources of income between various types of producers.

61. The Group agreed on the need to extend the data called for in the supporting tables on the sources of income by type and the distribution of these incomes, and discussed the ways in which this might be accomplished within the framework of the system. Since the factor incomes on the production accounts of the system were compensation of employees and operating surplus, it was suggested that a supporting table could be added on the classification of these flows according to the kind of economic activity and sector of the producing units, utilizing enterprise-type statistical units for the purpose. It was also agreed that net property incomes, as received by households, should be subdivided according to type; and the Secretariat was requested to study how this might be done, as well as ways of showing more detail on income shares, in the tables based on the income and outlay accounts of the system. It was recognized that this might involve separating the households of owners of unincorporated enterprises, including the enterprises, from other households and classifying the former sub-sector according to the kind of economic activity of these enterprises.

62. The major comments of the Expert Group on other aspects of the supporting tables shown in annex II, chapter VI of E/CN.3/345, are set out below. A number
of detailed points of terminology and presentation, which were noted by the Secretariat, are not given in the paragraphs in question.

(d) **Tables relating to the production, consumption expenditure and capital expenditure accounts**

63. The Group noted that the explanatory notes to be prepared in respect of tables 2 and 3 would deal with the use of alternative modes of pricing. These tables are designed to provide the basic data of the system for input-output analysis. Some members of the Group felt that an input-output table should be added to the supporting tables. Others considered that it is not appropriate to add such a table at this juncture in view of the lack of international agreement on the approach to be taken to input-output analysis. It was noted that the next version of the proposed revised SNA will contain a chapter on the compilation of input-output data which will deal with the alternatives for these studies, as well as other aspects of the work. The inclusion of this chapter will furnish the opportunity to consider input-output analysis in some detail in the course of the next round of discussions on the revised SNA.

(e) **Tables in constant prices**

64. The Group could reach tentative conclusions only concerning the tables on national accounting data in constant prices. The deflation of flows such as the net domestic product at factor incomes or the consumption expenditure of general government classified according to purpose, involves a number of problems; and a description of the concepts, methods and techniques of compiling constant-price data had not yet been prepared. It is expected that a chapter on this subject will be available to the next session of the Expert Group.

65. The experts recommended that series on the commodity, general government and private non-profit components of the gross domestic product should be added to table 8 and that a new constant-price table on the supply and use of commodities should be given. In discussing table 15, on exports and imports at constant prices classified according to industries, other modes of classifying these flows were suggested, and the Secretariat was requested to study the most useful classifications for this type of supporting table.

/...
(f) Tables relating to the incomes and outlay and capital finance accounts

66. It was agreed that table 20 should be eliminated and that the portion of the table referring to general government should be added to table 18. If a table on the income and outlay accounts of sub-sectors of households is included among the supporting tables, the first portion of the capital finance account should also be added to this table.

67. The experts noted that it was necessary to review table 23, on the capital transactions of the consolidated monetary system, in the light of the alterations they had recommended in supporting table 21 and the scheme for classifying financial claims set out in table 1 of chapter V. (See paragraph 18 above.) The Group agreed that table 23 should be designed to bring together the monetary functions of the Treasury, the Central Bank and other monetary institutions and that the classification of financial transactions in this table should be accommodated to the requirements of monetary and balance-of-payments analysis. In addition, the Secretariat was requested to explore other combinations of financial activities for purposes of special tables on financial analysis, in co-operation with the International Monetary Fund.

G. Adaptation of the system to the developing countries

68. The Expert Group discussed the adaptation of the revised SNA to the needs of the developing countries based on chapter VII of E/CN.3/345. Consultations which had taken place in Africa, Asia and Latin America had revealed the need for certain special accounts and tables. Annex I of chapter VII set out illustrative special accounts and tables which were intended to meet this need.

69. The special accounts were of two types, one referring to regional segments and the other to key industries. In the course of the discussion of the accounts for regional segments, doubts were expressed as to the feasibility of compiling data on the proposed gross flows of goods and services and incomes between these segments and other areas.

70. Two special tables were introduced, one segregating the output of industries not mainly producing for the market from the output of other producers and the other showing the use and supply of commodities. Distinctions between modern and traditional types of production and between privately and publicly owned industries...
were proposed in the case of a number of the supporting tables to the production accounts of the main system. The consultation had also resulted in a list of suggested orders of priority in compiling the accounts and tables of the system. 71. The Group discussed the distinction between the modern and traditional segments of the economy, which was drawn on technological and organizational lines; and found that this distinction might, in principle, also be applicable in the case of developed economies, for example, in input-output analysis. It was concluded, however, that in general the distinction was mainly useful for developing countries, where it was at present of material economic and sociological importance.

72. The experts felt that special table B of chapter VII constituted a very useful alternative to table 2 of the main system for developing countries at early stages in national accounting work. They recommended that an attempt be made to expand the table to include goods and services which were not commodities. However, even if the table included only part of the total supply and uses of goods and services, it would still be useful for planning purposes.

73. It was recognized that the arrangement of data in special table B was such that the table could not be directly derived from the matrix. It was also noted that in the case of the production accounts for key kinds of economic activity, the concept of the enterprise had been introduced.

74. The Group agreed that care should be taken that it should not appear to be promulgating a third system of accounts, the first two of which were the SNA and the MPS. The Group realized, however, that there was a demand in the developing countries for the kind of accounts, tables and classifications presented in the adaptation of the system in chapter VII. This demand was temporary in nature in the sense that it would disappear once the "dualism" and other special characteristics of a developing country ceased to exist. The Group therefore agreed that the special adaptations of the main system for the developing countries should stand, but that the precise relation of these adaptations to the main system will require careful and detailed explanation. The Group also emphasized that the special concepts, definitions and classifications of the adaptation should be described in some detail.
III. NATIONAL AND SECTOR BALANCE-SHEETS

75. This part of the report relates to the discussions of the Expert Group concerning national and sector balance-sheets. These discussions were based on the paper, National and Sector Balance Sheets, ST/STAT/12.

76. At the outset of the discussion of document ST/STAT/12, the Group noted that, in requesting a special study of the concepts, definitions, classifications and tabulations of national and sector balance-sheet statistics integrated into the revised SNA, the Statistical Commission had had two principal aims in mind. The first was to make plain the implications of this extension of the SNA for the other accounts of the proposed system; and the second was to provide guidance that might be helpful in the development of national statistical programmes.

77. In the general discussion that followed, it became apparent that there were wide differences of experience in the construction of estimates of balance-sheet items, whether or not these estimates were integrated into a formal system. Furthermore, members of the Group set the priorities of the various parts of the whole exercise differently: some were mainly interested in measuring the stock of real assets in different parts of the economy; others were mainly interested in measuring the stocks of financial assets and liabilities. In the case of a number of countries represented in the Group, official estimates had been made of various components of a complete system of national and sector balance-sheets, but not of the complete system.

A. Real assets

78. It was recognized that in ST/STAT/12 the sectoring was on an institutional basis and that the sector balance-sheets were related to the capital finance accounts. It was pointed out that for the analysis of production by means of production functions it was also necessary to have real assets grouped according to the industrial classification used in the production and capital expenditure accounts. While the estimates of real assets appropriate to the sector balance-sheets are on a net (written-down) basis, the estimates relevant to the construction of production functions would presumably need to be on a gross basis.

It was recognized that this second set of estimates had been mentioned in E/CN.3/520 and that their construction was implicit in the perpetual inventory method described in ST/STAT/12.
79. Four technical points were mentioned in connexion with the estimates on a gross basis:

(i) Should the estimates be on the basis of ownership or use? Although prima facie the basis of use might seem preferable, it was pointed out that an exactly similar problem arose in the case of labour since many services, such as those of lawyers and accountants, could be obtained either by hiring lawyers or accountants as employees or by hiring the services of a firm of lawyers or accountants. It was agreed that in the absence of more experience, the proposal in the revised SNA of the ownership basis should stand for the time being.

(ii) Consideration should be given to the fact that in many cases the productivity of equipment declines with age.

(iii) In many countries the existing information on the normal life characteristics, and even on the normal life spans of equipment, was incomplete and unsatisfactory.

(iv) It would be useful to experiment with the collection of information about scrapping and retirement to supplement the assumptions normally made.

80. As regards the valuation of real assets, it was agreed that the most generally useful bases were full replacement cost for the gross stock and written-down replacement cost for the net stock. It was argued that there were also uses for second-hand market prices where such information existed, and for valuations based on discounted expectations. It was pointed out in the case of the latter that the estimates would be difficult to make because of uncertainties about the future.

81. It was agreed that information, particularly on gross stocks, would be most useful at constant prices. It was also concluded that it would be useful to present information about the age distribution of the stocks of various kinds of real asset.

B. Consumer durables

82. The question of treating cars and other major consumer durables as real assets was reopened since the present treatment implies that business cars appear in the balance-sheet of the nation and are gradually written off over a period of years...
whereas personal cars do not appear on the balance-sheet of the nation, being written off in the year in which they are bought as part of consumption expenditures. It was pointed out that by treating owner-occupied houses as real assets (a treatment accepted for a long time), a step had already been taken to include consumer durables in real assets. Some members of the Group were in favour of extending this treatment to cars and a few to major household durables as well so that the stock figures which, it was generally agreed, were needed for the analysis of consumers' behaviour would form an integral part of the system. A majority, however, was opposed to this change.

C. **Conformity with the flow accounts**

83. It was pointed out that a small number of minor changes, connected with sectoring or with the treatment of external entries, would be needed to bring the treatment suggested in ST/STAT/12 in line with the latest version of the new SNA. No difficulties arose in making these changes. It was thought that the proposals in the latest version of the SNA would not in any way hinder the introduction of balance-sheets on the lines suggested in ST/STAT/12.

D. **The valuation of financial claims**

84. In ST/STAT/12 it is proposed that all entries be put as far as possible on a basis of current values, the meaning of this phrase being defined in each case. A uniform valuation system was introduced to ensure that three kinds of identity held. (a) for each sector, total assets equals total liabilities; (b) for each claim, the total held as an asset equals the total held as a liability; and (c) total net worth equals total real assets. Identities (b) and (c) hold only when the net external balance-sheet is included in the system. It was agreed that any coherent system of national and sector balance-sheets must satisfy these identities.

85. It was agreed that for many analytical purposes a more elaborate treatment of the valuation of financial claims would be desirable. For purposes of studying the assortment of liabilities and the financial transactions of debtors, data on liabilities valued at issue price are wanted. The difference between the market and issue values of the liabilities is equivalent to the realized and unrealized
capital gains (losses) accumulated since their dates of issue; and the year-to-year changes in these accumulated gains (losses) would show the impact of the trends in interest rates on the collection of outstanding claims. For purposes of observing the behaviour of financial institutions and government, it is desirable to have data on financial assets valued at cost, as well as at current market prices. The difference between these two values measures unrealized capital gains (losses); and it would be useful to value the financial assets of all sectors in both fashions.

(a) **Financial assets (item 3, table 3 of ST/STAT/12)**

86. The Group therefore thought that all the entries under item 3 in the table might be divided in two so as to show (i) holdings at cost, and (ii) unrealized capital gains.

(b) **Financial liabilities (items 1 (a) and 2, table 3 of ST/STAT/12)**

87. The Group also considered that the entries under items 1 (a) and 2 in the table should be divided in two, so as to show (i) the nominal value of liabilities issued and (ii) the extent of the revaluation of these issues in the course of time.
IV. INCOME DISTRIBUTION STATISTICS

88. The Expert Group discussed the subject of statistics of the distribution of income on the basis of the paper, *Income Statistics of the Population*, prepared by Mrs. Margaret Mód. The document set out a system of income distribution statistics which was designed to complement both the revised SNA and the material product system of accounts and balances. It gave the proposed concepts of income and consumption, socio-economic and other classifications, and tables of the system. The Group expressed its appreciation of the contribution which Mrs. Mód's paper made to its work.

89. The Group noted that the thirteenth session of the Statistical Commission had discussed the statistics of the distribution of income in connexion with a paper on this subject and the revision of the SNA. As a result of this discussion, the Commission had concluded that:

(1) Work should be undertaken on the development of guidelines in respect of a system of income distribution statistics adapted to the requirements and circumstances of countries with various kinds of social and economic systems and at various stages of development.

(ii) A study should be carried out of the implications of income distribution statistics for the revised SNA, including the extent to which these statistics might be incorporated into the revised system.

A. Aims of a system of income distribution statistics

90. At the beginning of the discussion of this subject, the Group exchanged views on the requirements for a system of income distribution statistics and the relationship between these statistics and the revised SNA.

91. It was recognized that income distribution statistics were required for a number of purposes. A major area of requirement relates to the links between the distribution of incomes and the pattern of production activity and remuneration. For this purpose data on compensation of employees, entrepreneurial income, dividends and other income shares are of interest. Another set of uses requires data on the redistribution transactions which bridge the gaps between incomes earned and incomes retained and on the distribution of disposable income. Such data are needed, for example, in assessing and formulating economic and social...
policies and programmes to promote the welfare of the population. A third set of required data concern the way in which incomes are divided between consumption and saving, the pattern of personal consumption, and the total consumption of the population. These data, in conjunction with figures of disposable incomes, are needed for such purposes as evaluating levels of welfare, the demands for goods and services, and ways of financing investments.

92. Except for the concept of total consumption of the population, the experts noted that the main flows which are of interest in the case of statistics of the distribution of income are already delineated in the revised SNA. It was agreed that most of the classifications of these flows required for purposes of income distribution statistics were too detailed to be introduced into the revised SNA. This was the case, in particular, in respect of the income and outlay accounts.

93. The experts therefore considered that there was a need for a coherent system of income distribution statistics which would complement the systems of national accounts and balances. The data on incomes and consumption presented in the complementary system should be consistent with, and sum to, the corresponding data of the national accounts.

B. The unit of observation

94. The Group thought that the individual, or in the case of compensation of employees, the job, was on the whole a valuable unit of observation and classification for statistics of primary incomes. The use of the individual as the unit of observation portrays the relationship between incomes and production and the structure of the various forms of primary income. It might also furnish a useful starting point for analysing the pattern of the distribution of incomes for certain purposes. The use of the individual raises serious statistical problems of gathering data on primary incomes in a few instances only, for example, the joint ownership of small enterprises and property by husband and wife.

95. The experts considered that the household was also a valuable unit of observation and classification in the case of statistics of primary income. This unit was required in relating the distribution of welfare and the ways in which incomes are disposed of, to participation in production. Most of the Group thought the household to be the suitable statistical unit in the case of data on
personal income before taxes and on disposable income. It was agreed that the household was the appropriate unit for studies of patterns of spending and saving and of economic welfare.

96. The attention of the Group was drawn to the value of also utilizing the individual as the unit of observation and classification in respect of statistics of disposable income, for example, in connexion with problems of income policies. Questions were raised concerning the feasibility of this approach, for example, whether it was practical to allocate various types of transfer payments to individuals. The actual experience with the use of the individual as the statistical unit in the case of data on disposable income which could be cited was far too limited for purposes of resolving these questions.

97. The Group agreed that where the household is utilized as the statistical unit, the housekeeping concept (i.e., a group of individuals living together and pooling their income for at least shelter and food) should be utilized. It was noted that in the case of some countries, a more restricted definition of this concept (i.e., closely related persons living together and pooling their income for at least shelter and food) may be appropriate.

C. Classifications

98. The Group recognized that a considerable range of classifications are of value in tabulations of statistics of income distribution and that the appropriate classifications would depend on the objectives of the inquiry, as well as the sources of data. Size distributions of income are considered basic in respect of primary, personal or disposable income. When households are being classified, size of the household, the number of earners and children and the socio-economic characteristics of the head of the household, are examples of useful classifications. In the case of individual incomes, it would be appropriate to utilize type of income, socio-economic group of the recipient, and industry of employment. The Group thought that the socio-economic classifications utilized in censuses of population may require modifications for use in income distribution statistics.

/...
D. **Total consumption of the population**

99. For purposes of data on the total consumption of the population, parts of the outlays on consumption of general government and private non-profit organizations serving households, need to be added to household consumption expenditure. The Group thought that in deciding on the additions to be made, account should be taken of the extent to which the services and goods involved are commonly available free to the populations, or sections of the population, for which comparisons of consumption are being made and of the difficulties of allocating the collective consumption in question, as well as whether the services are clearly and primarily for the benefit of households. It was also emphasized that the parts of collective consumption to be added to household consumption would depend on the purposes of the study though guidelines to be utilized in identifying these portions should be developed.

100. The Group studied the classification of general government purposes shown in table 2, chapter III of E/CN.3/345, with a view to tentatively indicating the aspects of the consumption of general government which might be added to household consumption in international comparisons of the total consumption of the population. It was felt that outlays on consumption falling into at least the following categories of the classification might be considered for addition to the outlays on consumption of households: education and health services (categories 4 and 5), excluding general administration, regulation and research (categories 4.1 and 5.1, respectively), institutional welfare services (category 6.2) and cultural services (new category 8.2). The extent to which additional categories of the classification are pertinent will depend on the objectives of a given international comparison.