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NATIONAL ACCOUNTS AND BALANCES: SYSTEM OF BALANCES
OF THE NATIONAL ECONOMY (MPS)

Note by the Secretary-General

1. The Secretary-General has the honour to transmit herewith the report of the secretariat of the Council for Mutual Economic Assistance (CMEA) on developments in the System of Balances of the National Economy (MPS) of countries members of CMEA (see annex). The Commission may wish to comment on that report.
2. The Secretary-General wishes to bring to the attention of the Statistical Commission the fact that the Commission at its twenty-fourth session, in 1987, had before it a note by the Secretary-General (E/CN.3/1987/8) transmitting to the Commission the report of the secretariat of CMEA on the improvement of a methodology for compilation of the statistical balances of the national economy. A document entitled "Draft basic methodological principles governing the compilation of the System of Statistical Balances of the National Economy" (PROVISIONAL ST/ESA/STAT/SER.F/17/REV.1 (vols. I and II)) was also transmitted to the Commission for consideration. The Commission agreed that the document should be issued as a United Nations publication and given wide circulation. 1/

Notes

1/ Official Records of the Economic and Social Council, 1987, Supplement No. 6 (E/1987/19), para. 51. The document will be issued as Basic Methodological Principles Governing the Compilation of the System of Statistical Balances of the National Economy, vols. I and II, Statistical Papers, Series F, No. 17/Rev.1 (United Nations publications, Sales Nos. E.89.XVII.5 and E.89.XVII.3).

* E/CN.3/1989/1.

Annex

DEVELOPMENTS IN THE SYSTEM OF BALANCES OF THE NATIONAL
ECONOMY (MPS) OF COUNTRIES MEMBERS OF THE COUNCIL FOR
MUTUAL ECONOMIC ASSISTANCE

Report of the Council secretariat

1. The purpose of this report is to provide brief information on the major topics in the work programme of the Standing Commission for Co-operation in the Field of Statistics (SCCS) of the Council for Mutual Economic Assistance (CMEA) and the results of its work on the further development of the System of Balances of the National Economy (MPS) and related issues since the twenty-fourth session of the United Nations Statistical Commission. In addition, the report outlines the direction of work related to MPS, to be carried out by SCCS in the near future.

2. During 1987 and 1988, the work of SCCS on MPS focused on the following topics:

(a) Application of the updated MPS (approved by the United Nations Statistical Commission in 1985);

(b) Development of the methodology for the computation of social consumption funds;

(c) Development of a unified methodology for the computation of gross domestic (national) product for CMEA member countries;

(d) Adaptation of the updated MPS for the improvement and elaboration of the methodology used in international comparisons of CMEA countries' major indicators of the development of their economies (in comparable currency);

(e) Direction of work in other areas.

A more detailed account of the results of the work of SCCS on the above topics is provided below.

3. In 1985, the updated and expanded document on the System of Statistical Balances of the National Economy (MPS) was approved. The document was discussed at the twenty-fourth session of the United Nations Statistical Commission, in 1987. SCCS concluded that the updated MPS provided a sound basis for improvements in the collection and publication of data on major aspects in the development of the economies of CMEA member countries. Such statistics are essential to the countries and organs of the Council for general economic analysis and in their attempt to find solutions to a number of practical problems encountered in the course of socialist economic integration.

In particular, SCCS was of the opinion that the updated MPS should serve as the basis for the improvement and elaboration of the methodology used in international comparisons of major indicators of the development of the economies

of CMEA member countries, in comparable currency. The comparisons are carried out by SCCS once every five years.

To this end, the CMEA secretariat undertook the preparation of a series of documents to facilitate implementation of those objectives.

The result was the refinement of the content and composition of data collected and published by the Council secretariat, the improvement of methodological and explanatory notes to indicators included in the Council secretariat's statistical publications and the improvement and elaboration of the methodology used in international comparisons of the major indicators of the development of the economies of CMEA member countries.

Another application of the updated MPS is in the experimental international comparisons of interindustrial relations and the general structure of the economy. A number of CMEA member countries are carrying out these comparisons based on information contained in input-output tables, the standardized scheme of which is contained in the updated MPS document. The future of the work in this area depends largely on the results of the first bilateral comparisons. It is expected that they will demonstrate the usefulness of this method of analysis.

SCCS was also of the opinion that further work on MPS was essential in order to develop new sections and aggregates and to improve traditional balances. As SCCS sees it, the objective of this work is to increase the analytical value of data, and to improve their international comparability and harmonization with other sections of socio-economic statistics. This view was reflected in a number of specific topics included in the work programme of SCCS for 1988-1989.

4. One of those topics deals with the methodology for the calculation of social consumption funds (SCFs). It should be noted that in CMEA member countries, SCFs constitute a substantial source of income, supplementing wages and salaries and other types of earnings, and are an important instrument in charting social policy. SCFs also provide an important source of income for pensioners, the disabled, families with many children and so forth. The study of SCFs has great implications for standard of living and income distribution analysis.

In broad terms, SCFs include the value of social and cultural services provided to the population free of charge (e.g., health care, education, culture, art) and the value of redistributive financial payments to the population. SCFs also include subsidies paid to the housing and utilities management system to offset losses incurred from the charging of low rents. Data on SCFs are published widely in CMEA member countries and are instrumental in the analysis of living standards and in the implementation of the social policy of Governments.

The purpose of this work, initiated by SCCS, is to develop a unified methodology for the calculation of SCFs in both current and constant prices to serve as a basis for the collection and publication of internationally comparable data. It is essential that the methodology thus developed be consistent with major concepts and definitions of MPS as well as with the categories of income statistics

already approved (see "Basic statistical indicators of income and the methodology for computing them", approved by SCCS in 1979).

The document prepared classifies SCFs as follows:

(a) Types and forms of income: money income (pensions, family and other allowances, stipends, other redistributive income); and income in kind (value of social and cultural services and material benefits provided free of charge);

(b) Source of finance (state budget, funds of state and co-operative enterprises, funds of social organizations).

The document on the methodology for computing SCFs was discussed by statisticians of CMEA member countries at a meeting in Bulgaria in April 1987, and was submitted to SCCS at its forty-seventh session for approval.

5. A new direction in the work of SCCS related to SCFs is the development by CMEA member countries of a unified methodology for the computation of gross domestic product (and modifications to it). The methodology could serve as the basis for collecting and publishing data, including those submitted to the United Nations and other international organizations.

Although the basis for the development of this methodology is the System of National Accounts (SNA), in a number of cases its provisions need to be adapted to the characteristics of centrally planned economies.

It should be noted that the work on this topic in the framework of SCCS depends on the research being conducted in national statistical offices, particularly in Czechoslovakia, Hungary and Poland.

Mention should also be made in this connection of the introduction in 1988 of the gross national product aggregate into the statistical practice of the Union of Soviet Socialist Republics, both for purposes of economic analysis and for international comparisons.

Using as a starting point the methodology for computing the gross national product of the USSR, the CMEA secretariat has prepared a detailed questionnaire designed to ascertain the attitude of countries to a number of methodological issues relating to the computation of gross domestic product and changes in it in countries with centrally planned economies. These relate to:

(a) Definition of the distinction between production from subsidiary plots of land for private use and individual labour activity in calculating gross domestic product;

(b) Treatment of subsidies;

(c) Treatment of the activities of financial institutions;

- (d) Treatment of external trade flows;
- (e) Distinction between intermediate and final consumption;
- (f) Valuation of services provided free of charge (at current prices);
- (g) Methods for valuation of services provided free of charge (in constant prices).

It would be premature at this stage to speak in concrete terms about what form the unified methodology for calculating gross domestic product will take, since work on it will continue in 1989 and 1990.

One of the approaches to developing the methodology entails compiling a system of conversion tables from which estimates of gross domestic product can be obtained by applying appropriate correction factors to the data on national income calculated using the MPS methodology.

Such an approach does not exclude the use of more detailed and comprehensive calculations at a later stage.

It should also be recalled that in 1977, SCCS developed the System of Indicators of Non-material Services (SINS), conceptually co-ordinated with the conventional MPS aggregates in such a way that estimates of the volume of output can be made covering both material goods and non-material services. Since then, CMEA member countries have accumulated a certain amount of practical experience in applying SINS, and SCCS may therefore wish to study this experience in preparing the methodology for calculating gross domestic product.

In any case, this topic is undoubtedly of interest for co-operation between the United Nations Secretariat and that of CMEA. Such co-operation is of particular significance in the light of the current work in the United Nations Statistical Commission on the revision of SNA.

It would be desirable if, in the course of the revision of SNA, certain issues that are of great interest in the context of SNA/MPS links could be clarified.

The work of SCCS on this subject could also benefit substantially from the practical study of SNA/MPS links conducted by individual countries. Mention should be made in this connection of the successful joint work by Bulgaria and Finland, undertaken in the framework of co-operation between CMEA and Finland. At present Czechoslovakia and Finland are jointly studying problems relating to calculation and comparison of the total consumption of the population.

6. As mentioned above, the updated MPS document was used to improve the methodology for the international comparison of the major indicators of the development of the economies of CMEA member countries to be conducted on the basis of the data for 1988.

It has also been used to develop a methodology for comparison of the new aggregates: national income produced and social productivity of labour. The aggregate "national income produced", in comparable currency, will supplement the data on national income used (the total of consumption funds and accumulation) that were employed in past comparisons. To make the transition from national income used to national income produced, two items need to be added to the former concept: replacement of losses and net exports.

It should be noted that the content of these items in the methodology for the comparison of national income produced is strictly in line with the relevant MPS definitions. Thus "replacement of losses" covers losses of fixed assets and stocks and reserves due to fires, floods and other natural calamities; losses of cattle; losses due to abandoned construction; losses of agricultural products in the process of transportation and storage and so forth.

The content of net exports has also been defined in accordance with MPS definitions. For example, net exports include assistance furnished in kind to other countries free of charge.

7. SCCS intends to continue working on the further improvement of MPS. In 1989, it is planned to hold a seminar to discuss the experience of countries with regard to work in the field of balances, exchange views on the most important theoretical and methodological issues, and discuss possible directions for the further development of MPS. Methodological issues relating to the computation of gross domestic product in CMEA member countries will also be on the agenda of the seminar.

The CMEA secretariat will present for discussion at the seminar a review of the practice of CMEA member countries in applying the recommendations of SCCS to the development of MPS. The review may identify those areas in which work could be particularly effective in terms of perfecting aggregates and classifications and improving the international comparability of data.

8. To summarize the above remarks on the work of SCCS on the MPS in the immediate future, the following topics should be singled out:

(a) Organization of the collection and publication of internationally comparable data on social consumption funds in accordance with the approved methodology;

(b) Development of a unified methodology for the computation of gross domestic product by CMEA member countries;

(c) Continuation of work on international comparisons of interindustrial relations and the overall structure of the national economy on the basis of the standard input-output table;

(d) Study of the possibility of further improving the conventional MPS sections and aggregates (holding a seminar on the subject).