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DISCREPANCIES BETWEEN NATIONAL INCOME ESTIMATES PREPARED  
IN ACCORDANCE WITH UNITED NATIONS DEFINITIONS AND THOSE  
EMPLOYED BY THE CENTRALLY PLANNED ECONOMIES

(Note prepared by the United Nations Statistical Office)

..... The attached note on discrepancies between national income estimates prepared in accordance with the United Nations definitions and those employed by the centrally planned economies was submitted to the twentieth session of the Committee on Contributions as a working paper.



satisfy human wants. For example, labour employed in the transportation of goods, is considered "productive". Labour in material form also includes certain activities which, although not directly related to the production process, are considered necessary to it. Such auxiliary activities include messenger, guard and communication services within the production establishment.

4. Since labour expended on the provision of services is not "embodied" in any tangible product the Soviet concept of production excludes services except those rendered in the process of producing goods. Provision of services other than to producers is considered to be useful and necessary but non-productive. As a result of this exclusion, a very important difference is to be noted between the scope of production as defined in the United Nations system of national accounts and that adopted in the Soviet system. The United Nations concept of production encompasses in principle all activities having an economic character, i.e. utilizing scarce resources for the purpose of satisfaction of human wants which are measurable in terms of monetary value.

5. The following broad categories of activities are considered "productive" according to the USSR concept: (1) industry, (2) agriculture, (3) forestry, (4) construction, (5) freight transportation, (6) communications serving establishments in the sphere of production, (7) supply and storage, (8) procurement of farm products by government organizations, (9) trade and catering and (10) miscellaneous which includes move and recording studios (except for the services of the artistic staff), publishing houses (except for the services of authors, editors, etc.), collection of scrap metal, professional hunting, gathering of firewood, etc.

6. The Soviet distinction between productive and non-productive activities within households bears many practical similarities to the treatment of household activities in the United Nations system of accounts. Goods produced within households for the market are included in the product of both systems of accounts. The same is true for all primary production i.e. agriculture, forestry, fishing and mining, whether exchanged or not, if it serves a material gain. Also included in both systems is all non-primary production, whether exchanged or not, if performed as a trade. Omitted from both systems is non-primary production performed within households by producers outside their own trade and consumed by themselves.

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7. The difference in the treatment of "non-reproducible" goods is, however, noted. The application of the "social labour" criterion renders these goods non-economic and they are generally excluded from production in the USSR whereas they are not distinguished from other goods in the United Nations system.

8. The major source of non-comparability between the concepts of production of the two systems is the exclusion of the following services in the USSR concept:

- (a) "Material and communal services" which cover passenger transportation, a large part of communications, public baths, laundries, housing, recreation and entertainment, sanitation services, barber shops, etc.
- (b) "Other services to individuals", those of teachers, physicians, nurses, etc.
- (c) "Administration and defence".
- (d) "Science and research".
- (e) "Banks and insurance".

Because of the exclusion of the above forms of activity from the Soviet concept of production, comparison of product totals obtained by the two systems is normally not feasible in statistical terms.

9. However, in the case of the USSR an approximate calculation has been published in Economic Survey of Europe, 1959, Economic Commission for Europe, United Nations, 1960, p. III-5, indicating a percentage discrepancy between estimates prepared in accordance with the two concepts. No such attempt is yet known to have been made for the other centrally planned economies. The percentage for the USSR could not be assumed with any degree of confidence to apply to the net material product estimates of these countries for the following reasons. (a) For a number of countries in this group estimates in national currencies were not available for the period 1957-1959 and had to be obtained from old information by using official index numbers of net material product. (b) Practically all countries presented serious exchange rate problems inasmuch as conversion at prevailing official rates yielded figures considerably out of line with estimates for other countries in comparable economic situations as suggested by various economic indicators. Consequently, the procedures adopted in document A/CN.2/R.150 resulted in estimates of varying degrees of reliability. (c) The percentage discrepancy is believed to vary from country to country

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depending on the stage of economic development, since in the case of developed countries the service element constitutes a larger proportion of national income than for the less developed countries. (d) Finally, there is the problem of "turnover taxes" which comprise a part of the difference between prices and costs of consumer goods. The lack of a common basis of valuation between the United Nations system and that prevalent in the centrally planned economies renders spurious any identification of "turnover taxes" with indirect taxes or with monopolistic profits in the United Nations system.

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