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STATISTICAL COMMISSION

Fifth Session

SUMMARY RECORD OF THE FIFTY-SEVENTH MEETING

Held at Lake Success, New York,
on Wednesday, 10 May 1950, at 10.30 a.m.

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Research in statistical methods and standards:

Indices of prices (E/CN.3/107,E/CN.3/107/Add.1)

Progress report on the programme of work on statistics, of national income and social accounting, including capital formation and other related subjects (E/CN.3/89).

<u>Chairman:</u>	Mr. P. IDENBURG	Netherlands
<u>Members:</u>	Mr. ARIAS	Argentina
	Mr. LIEU	China
	Mr. DARMOIS	France
	Mr. MAHALANOBIS	India
	Mr. JAHN	Norway
	Mr. BILKUR	Turkey
	Mr. CAMPION	United Kingdom of Great Britain and Northern Ireland
	Mr. RICE	United States of America

Representatives of specialized agencies:

Mr. WOODBURY	International Labour Organisation (ILO)
Mr. STRAUS	Food and Agriculture Organization (FAO)
Mr. LESTER	International Civil Aviation Organization (ICAO)
Mr. POIAK	International Monetary Fund

Representatives of non-governmental organizations:

Category A:

Mr. TEPER	International Confederation of Free Trade Unions (ICFTU)
Mr. RIDGEMAN	International Chamber of Commerce (ICC)

Category B:

Mr. GOUDSWAARD	International Statistical Institute
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Secretariat:

Mr. LEONARD	Representative of the Assistant Secretary-General in Charge of the Department of Economic Affairs
Mr. LOFTUS	Statistical Office
Mr. DERKSEN	Statistical Office
Mr. BRUCE	Secretary of the Commission

1. The CHAIRMAN asked whether the Commission wished to attend a meeting of the Commission on Education of the International Statistical Institute on the following afternoon. All members and all representatives of specialized agencies and non-governmental organizations were invited.

It was so decided.

RESEARCH IN STATISTICAL METHODS AND STANDARDS: INDICES OF PRICES (E/CN.3/107, E/CN.3/107/Add.1)

2. Mr. LOFTUS (Secretariat) read out paragraph 1, sub-paragraph (a) of document E/CN.3/107, setting forth the instructions given to the Secretariat by the Statistical Commission at its fourth session.

3. The Secretariat had found a sufficient degree of uniformity in the methods adopted by the various countries to enable it to say that a typical index of wholesale prices could be defined. On the other hand, there seemed to be no such uniformity regarding the purpose for which those price indices were calculated; the Statistical Office therefore proposed to group together indices drawn up

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for a definite purpose in order to provide a basis for the creation of a rational system of price indices. It was hoped that the Statistical Office would soon receive expert assistance; the members of the Commission should be able to study the Secretariat reports and make their comments before those reports were sent to Member Governments. The Secretariat's recommendations in paragraph 14, page 7 of document E/CN.3/107 were made with that in mind.

4. Mr. MAHAJANOBIS (India) noted that the Secretariat had confined itself for the time being to a study which established certain facts, but that it had not made recommendations on the substance of the question. The Government of India was undertaking a revision of indices of prices; it was desirable that that revision should be based on valid and internationally recognized standards. He wondered whether the statement in the first line of paragraph 5 could be accepted as such a basis. He would like to have the opinion of the Secretariat or of any authorized person.

5. Mr. LOFTUS (Secretariat) explained that everything depended upon the purpose for which the indices of prices were drawn up. That factor would determine whether, in the case of commodities such as wheat, the calculation should be based on the actual weight of the quantities bought and sold, or on the exchange value etc. of the whole group, wheat being considered merely as a typical cereal. His personal opinion was that the concept of indices of wholesale prices might have to be abandoned.

6. Mr. MAHAJANOBIS (India) said it would be regrettable if the revision of indices being undertaken in India were not in line with international thought. There should at least be some statement on the tendencies noted in countries carrying out similar reviews.

7. Mr. LOFTUS (Secretariat) replied that the tendency was, very clearly, to adopt arithmetical indices of the Laspeyres type.

8. Mr. DARMOIS (France) drew attention to the end of paragraph 1, sub-paragraph (a). He asked whether the Secretariat had made a study of the inter-relationship of price indices.

9. Mr. LOFTUS (Secretariat) replied that some preliminary work on that subject had already been done, but that it had not yet reached a stage where studies could be submitted to the Commission.

10. Mr. POLAK (International Monetary Fund) complimented the Secretariat on its attempt to demonstrate the vagueness of the concept of indices of prices. He hoped that the Secretariat would make a more thorough study of that question with the aid of experts, and that it would also study the question of weighting. He also drew attention to the last sentence of paragraph 12, where reference was made to prices received by exporters and importers. There seemed to be some confusion for the prices received by exporters were not the same as those paid by importers.

11. Indices of wholesale prices for exported and imported products should form part of the studies contemplated in the first part of the report.

12. Mr. LOFTUS (Secretariat) said that the question raised by Mr. Polak had not escaped the Secretariat's attention. Wholesale prices of imports and exports would be studied within the framework of Part I of the report.

13. Replying to Mr. Polak's remarks regarding the last sentence of paragraph 12, Mr. Loftus said that the Secretariat had tried to estimate the prices received by the importer for goods sold on the domestic market. Those prices were of primary importance for the proposed study, since that was the only method for establishing a valid comparison with the expenses incurred by the exporter.

14. Mr. RICE (United States of America) praised the Secretariat for its careful deliberation in coming to conclusions. The Federal Government was at present revising the principles on which certain price indices were based, and he did not wish to express an opinion before learning the results of current studies.

15. Mr. CAMPION (United Kingdom) pointed out that the Commission was called upon only to take note of the work carried out by the Secretariat, the slowness of which he, for his part, regretted. A large number of countries would revise certain price indices within the next twelve or eighteen months, and they would like to know what conclusions had been reached by the Secretariat and the experts who had assisted it. Very difficult questions arose in determining real prices in countries with controlled economies; as far as concerned consumer goods it was possible to find a relatively simple answer, but in connexion with producer's goods, subject to a contractual price, it was more difficult to find a method of calculating indices.

16. The various Member States would therefore await with great interest the recommendations of the Secretariat on the subject.

17. Not only should the various methods now in use be reconciled, but the problem should be thoroughly analyzed with a view to proposing an authoritative solution which did not err on the side of caution -- on the contrary, a spirit of initiative would be welcomed.

18. The CHAIRMAN remarked that although Mr. Rice and Mr. Campion were in agreement regarding the slowness of the Secretariat's work, the former thought it was an advantage while the latter criticized it.

19. Mr. LOFTUS (Secretariat) said that a study of the questions raised by Mr. Campion was being made. The Secretariat hoped to publish the results of its work in three or four months.

20. Mr. MAHALANOBIS (India) thought that boldness should be shown in advocating the adoption of new concepts. In the field of statistics there were all too many detailed data. Conceptions must now be revised. The time was appropriate inasmuch as a number of countries, including India, were engaged in revising the method of calculating price indices. Mr. Mahalanobis was therefore gratified that the Secretariat's study would be published in the fairly near future.

21. Mr. JAHN (Norway) emphasized that the collection of data was of use only if the data were obtained by means of sound criteria. It was above all in the choice of basic data that the various countries needed expert advice.

/22. Mr. LIU

22. Mr. LIU (China) referred to the question of export and import prices mentioned at the end of paragraph 12. He wondered whether export prices were calculated FOB and import prices CIF.

23. Mr. TISPER (International Confederation of Free Trade Unions) wondered whether the Statistical Office ought to undertake a study of the effect of investment on price fluctuations, particularly when certain products were substituted for others or disappeared from the market, as was the case in time of war. It would be interesting to know what influence those changes had on price indices.

24. Mr. LOFTUS (Secretariat) pointed out that there could be two indices for imports, first the index for the import price CIF, and then the index corresponding to the sale price on the internal market.

The Commission decided to approve the recommendations contained in paragraph 14 (E/CN.3/107, page 7) and to insert in the first line of subparagraph (b), after "Commission members", the words "and to representatives of the specialized agencies".

25. The CHAIRMAN declared open the discussion of Part II of the report on price indices.

26. Mr. POLAK (International Monetary Fund) pointed out that subparagraph (b) of paragraph 18 was unnecessary, since it had been agreed that a study of wholesale export and import prices would be made in Part I.

The Commission adopted paragraph 18, subject to the deletion of subparagraph (b).

PROGRESS REPORT ON THE PROGRAMME OF WORK ON STATISTICS OF NATIONAL INCOME AND SOCIAL ACCOUNTING INCLUDING CAPITAL FORMATION AND OTHER RELATED SUBJECTS
(E/CN.3/89)

27. Mr. DEKSTEN (Secretariat) stated that in preparing the memorandum (E/CN.3/89) the Secretariat had endeavoured, above all, to give a clear

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indication of the work accomplished during the year by the Statistical Office in the field of methodology and definition. He would outline briefly the stage reached in the task of compiling national income statistics.

28. He was very happy to be able to say that the number of countries publishing national income statistics in periodical series form was increasing. While, in the previous year, only fourteen countries had supplied figures of national income for the preceding twelve months, in the current year there were already twenty, without taking into account non-Member States and Non-Self-Governing Territories. On the other hand, it was important to note that an ever-increasing number of countries were compiling their national statistics in accordance with the recommendations of the Statistical Office. Thus, in the preceding year, six countries had adopted the plan drawn up by the Statistical Office; six had changed the basis of their statistics to bring them into line with the plan, and many others had asked the Office for advice which had enabled them to revise and improve their basic figures. Furthermore, the Statistical Office had requested certain countries not applying the recommended definitions to submit their figures in a form which would facilitate regrouping, and had received satisfaction on that point.

29. The following was the situation with regard to the publication of national income statistics. The second volume of "National Income Statistics" was in the hands of the printer, and he hoped that it would be distributed before the end of the week. It would give information with regard to thirty-two countries, but would not repeat the statistics which had already appeared in the first volume. It would contain, also, the social accounting of twelve countries, tables showing real income on a per capita basis, and a draft classification of national income by industrial origin, groups of final expenditure, and distributive shares. The Appendix would give synoptic tables comprising series of national income figures relating to the second half of the nineteenth century and the beginning of the twentieth century.

30. In addition, the Monthly Bulletin of Statistics would, in future, contain estimates of per capita national income in constant prices as well as data on capital formation. The June issue would contain figures relating to real per capita income.

/31. In conclusion,

31. In conclusion, Mr. Derksen drew attention to General Assembly resolution 238 (III), which demonstrated the interest of the Assembly in national income statistics which could provide the Committee on Contributions with the necessary data for determining the scale of contributions to the United Nations.

32. In view of the rapid development of national income statistics, the necessity for Governments to have reliable information at their disposal, and the needs of the United Nations, the Secretariat felt that the time had come to ask the Economic and Social Council to undertake measures in that field. The members of the Commission would find at the end of document E/CN.3/89 a draft resolution for submission to the Council.

33. The CHAIRMAN asked the members of the Commission to state their views on document E/CN.3/89.

34. Mr. MAHALANOBIS (India) acknowledged the importance of compiling internationally comparable statistics. Nevertheless, comparability was not the principal object in producing national revenue statistics. Countries compiled social accounts primarily in order to be able to take practical decisions.

35. He wished that the Secretariat would study more thoroughly the problems relating to subsistence economy, where goods and services were not involved in commercial transactions. Such a study would be in the interests of comparability, since the existing system -- which imputed a certain value to goods which were not in fact the objects of commercial exchanges -- made comparisons more difficult instead of facilitating them. He therefore requested the Secretariat to provide the countries concerned with more detailed information on the subject.

36. Mr. DERKSEN (Secretariat) thanked Mr. Mahalanobis for his suggestion and stated that the Secretariat had already taken steps in that direction by drawing up a simplified formula for social accounts. It was that formula, incidentally, which he intended to propose to the three countries which had approached him within the framework of the technical assistance programme.

37. International comparability was only one aspect of the problem. It was, nevertheless, an important aspect because it was useful to be able to compare the real per capita income of different countries. The problem was to find the best means of establishing comparisons between the consumption of under-developed countries and that of other countries.

38. Mr. MAHALANOBIS (India) repeated that the manual to be published by the Secretariat should give information on the compiling of both social accounts and statistical data.

39. Mr. DERKSEN (Secretariat) replied that the Secretariat had in mind the publication of a series of documents, of which one would in fact deal with the compiling of statistical data and another with estimates of national income.

40. Mr. STAEBLE (Secretariat) felt that international comparability was of primary importance. It was true that in countries with a non-monetary economy the task of compiling internationally comparable figures would entail much preliminary work. Nevertheless, it should be undertaken from the outset.

41. In that connexion he returned to the subject of price indices and stated that in compiling them it would be necessary to ensure that certain elements of national income were comparable as to physical volume.

42. The CHAIRMAN opened the discussion on the various sections of document E/CN.3/89.

Publication of national income statistics

The section was adopted without discussion.

Availability of national income statistics

43. Mr. CAMPION (United Kingdom) was grateful to the Secretariat for encouraging countries to provide national income statistics. Nevertheless, those countries should also realize the need for creating the statistical machinery required for the grouping of basic data. It would be extremely unfortunate if, in the tables recommended by the manual, they were to include figures regardless of the manner in which they had been obtained.

/44. Mr. MAHALANOBIS

44. Mr. MAHALANOBIS (India) also expressed the view that it was essential, above all, to safeguard the quality of the basic figures.

45. He then reverted to paragraph 2 (b) of document E/CN.3/89, and said that it was not enough to estimate national income in constant prices since, for many countries, such prices could be meaningless. Hence it might be expected that in some cases national income would be estimated on the basis of the volume of goods and material services.

46. Mr. DERKSEN (Secretariat) reminded the Commission that the International Institute of Statistics, during its 1949 session, had requested that the quality of national income estimates should be examined. The Statistical Office had devoted one whole section of the second volume of National Income Statistics to that question.

47. He agreed that use could also be made of quantitative figures in connexion with constant prices, but stated that the problem was dealt with in greater detail on page 13 of the report.

48. Mr. RICE (United States of America) recalled that the Inter American Statistical Institute had also sought to improve the quality of national income estimates. The best method of bringing about such improvement was to encourage the development of statistics in that field.

49. The CHAIRMAN added that in industrialized countries the publication of information on national income often tended to improve the quality of the different basic series.

The section relating to the availability of national income statistics was adopted.

Adjustments for international comparability.

50. Mr. LESTER (International Civil Aviation Organization) felt that it would be well to contemplate adjustments in connexion with consumer needs, which varied from one country to another, in particular with the climate.

51. Mr. DERKSEN (Secretariat) replied that that matter should be examined in relation to per capita income. The Secretariat had already consulted FAO and UNESCO, which were concerned, respectively, with the position of agriculture and with the portion of national income devoted to education.

The section relating to adjustments for international comparability was adopted.

Capital Formation.

52. Mr. CAMPION (United Kingdom) pointed out that the Secretariat was still in the experimental stage of its work on capital formation, and that the matter certainly ought to be studied more thoroughly.

53. On page 6 of the memorandum it was stated that the components of gross capital formation were approached from the "physical" side. That question really presented two different aspects: production of capital goods, and actual expenditure incurred in obtaining such goods. Both aspects called for study, particularly as a number of European countries desired information on the subject.

54. Turning to paragraph 13, Mr. Campion asked whether the depreciation allowances to which reference was made were real allowances or allowances of a fiscal nature. Finally, the matter of accidental damages also ought to be defined. In a number of western European countries the problem was of immediate importance, a fact of which the Secretariat should endeavour to take advantage by preparing a report on the matter.

55. Mr. DERKSEN (Secretariat) stated that that was an entirely new field. Among the various ways of estimating capital formation, the Secretariat had studied the method of questionnaires used in Sweden and Norway. It had, however, so little information available that it would be able to publish only a very preliminary report on the subject. That report would probably be issued in the autumn.

56. The information contained in paragraph 18 had been acquired entirely unofficially. Information on gross and net capital formation was indispensable, but, of course, the problem entailed many difficulties. The method suggested in paragraph 18 was not the only possible one.

57. With regard to accidental damages, the methods used varied from country to country. In the United States, actual losses were deducted from capital; in the smaller countries it would be far better simply to deduct insurance premiums.

58. There were also two different theories in respect of depreciation allowances, which corresponded to capital consumption at current prices. Whereas in some countries these allowances appeared in income tax declarations, in others they were based on economic considerations.

59. Mr. JAHN (Norway) observed that the questionnaires used in Norway did not yield reliable figures, since entrepreneurs who were asked to specify the amount of their present and future investments were often unwilling to furnish exact figures to their Government.

60. The CHAIRMAN stated that similar questionnaires were sent to entrepreneurs in the Netherlands, not by the Government services, but by the Statistical Office, which guaranteed secrecy. Reliable figures could thus be obtained.

61. Mr. MAHALANOBIS (India) drew the Commission's attention to the importance of capital formation in agriculture and rural industry.

62. The Secretariat should work out methods for studying that process.

63. Mr. DERFSEN (Secretariat) replied that the Secretariat had already had occasion to study that question in connexion with Latin America.

64. Mr. PARMOIS (France) thought that the expression "capital formation" had very wide implications and should be more precisely defined.

65. Moreover, it might be well for the Secretariat to take note of the experience acquired by various countries in compiling relevant data.

The section on capital formation was adopted.

/Consumers'

Consumers' expenditure.

66. Mr. MAHADANOBIS (India) stated that efforts were being made in India to improve the compilation of statistical data. The Secretariat should furnish the countries concerned with a logical standard classification for studying consumers' expenditure.

The section on consumers' expenditure was adopted.

Measurement of national income in constant prices.

Social accounts.

The above two sections were adopted without discussion.

Distribution of family and individual incomes by size.

67. Mr. STAEMLE (Secretariat) felt that, in order to obtain an exact idea of the living standards of various classes of the population, the number of persons in each family ought to be taken into account.

68. Mr. JAHN (Norway) thought that in studying the distribution of individual income, consideration should also be given to age groupings.

69. Mr. DERKSEN (Secretariat) said that the definition of the family was a difficult problem, but agreed that families must be classified according to size.

70. The question raised by Mr. Jahn was an entirely new one and deserved the attention of qualified statisticians. However, the manner in which statistics on national income should be presented often depended upon the purpose for which they were collected.

71. Mr. CAMPION (United Kingdom) thought that from the point of view of international comparability, the problem of the distribution of national income was one of the most difficult. In order to obtain comparable data it was essential first to find a uniform solution of the question of direct and indirect taxes, tariffs, subsidies etc.

72. The Secretariat should continue to study the problem.

/73. Mr. MAHALANOBIS

73. Mr. MAHALANOBIS (India) thought that to obtain information on the distribution of income it would be necessary to take samplings, as in a number of countries the greater part of the population did not pay taxes and it was thus impossible to obtain relevant figures by computing revenue.

74. He therefore proposed that the Secretariat should furnish a report on that subject to the Sub-Commission on Statistical Sampling which was to meet the following autumn.

The section on distribution of family and individual incomes by size was adopted.

Implementation of the recommendations of the Statistical Office

The section was adopted.

Conclusions

75. In reply to a question by Mr. MAHALANOBIS (India), Mr. DERKSEN (Secretariat) stated that the Manual on Compiling and Reporting National Income Statistics, mentioned in paragraph 28, would probably be issued before the end of the current year.

76. Mr. CAMPION (United Kingdom) wondered whether it was necessary to give the Secretariat instructions with respect to the projects outlined under "Conclusions"; the work was actually being carried on by virtue of a directive already received by the Secretariat.

77. Mr. DERKSEN (Secretariat) explained that it was better for the work programme to be specified each year.

78. Mr. LEONARD (Secretariat) added that the Economic and Social Council had requested the Statistical Commission to establish at each of its sessions the priority to be given to the implementation of the various resolutions.

Paragraphs 28, 29 and 30 of the section on conclusions were adopted, the Commission reserving the right to take a decision at a later stage as to the financial implications of the recommendations contained therein.

/ 79. Mr. CAMPION

79. Mr. CAMPION (United Kingdom) suggested that the words "social accounts" should be substituted for the words "national accounts" in paragraph 31, sub-paragraph (1), line 3, and sub-paragraph (2), line 2.

It was so decided.

Paragraph 31, thus amended, was adopted.

The meeting rose at 12.45 p.m.