

**Comments on draft SNA chapter:  
Addendum 1 to Chapter 8: The redistribution of income accounts**

**Deadline for comments: 16 October 2007**

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Submission date:	<a href="#">Click here and enter your submission date</a>

This three-part template allows you to record your comments on the Addendum 1 to draft chapter 8 (Add.1) easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.

Save this template and send it as an attachment to the following e-mail address:  
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**Part I: General comments**

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

*Comment:*

We are pleased to see that "social transfers in kind" are covered in paragraph 8.89 and that in principle they are in the system. This ensures consistency with BOP. However, we wonder if a little more needs to be said about cases where it is not assumed that social transfers in kind received equal those "paid." Presumably in such cases "exports" for those "paid" and "imports" for those received are affected, along with secondary income receivable/payable abroad.

In addition, we must ensure consistency in the coverage of social transfers in kind between the domestic and nonresident sectors. An example that comes to mind is free education services provided by a government. On the one hand, if the provider of the services is a university who grants free tuition to residents and nonresidents, then presumably the nonresident has received a social transfer (equal to the value of the scholarship), similar to the accounting treatment recognized for the resident. On the other hand, if services are consumed that are accounted for as government consumption and not household consumption, even after adjustment, perhaps grade school education, then the treatment should be the same for nonresidents. Perhaps additional language could be included in the SNA to cover this point.

Although the text is clear, some of the intellectual reasoning present in the 1993 SNA is missing. Clear examples are:

(i) The reason for the distinction "who pays" and "who uses up." This distinction proposed by Pêtre is the basis for the concept of actual final consumption.

(ii) The characteristics of individual final consumption expenditure versus collective final consumption expenditure.

**Part II: Comments on specific draft paragraphs or passages**

In your review of this Add.1, you may wish to devote particular attention to the passages listed below. For ease of reference, we have identified the relevant paragraphs. For the each passage, a Word table is provided for you to use in making your comments. There is a row for general comments at the top of the table. Thereafter please use a separate row for each paragraph on which you wish to make detailed comments.

1. In order to clarify the limits of social benefits, paragraphs 8.79-8.82 of the revised text shown in Add.1 describe receivables by households from government, NPISHs and other units that are **not** social benefits. Do you find it helpful to clarify that such items are not treated as social benefits? Are the distinctions clear and sufficiently complete?

General comment	As such, the text is clear. What exactly receivables by households are is presumed to be obvious. However, there are various difficult cases such as government subsidies to transport corporations reducing prices for specific household groups (like the elderly, large families, or the handicapped). If these issues will be discussed in chapter 9, such could be indicated in this section.
8.81	The convention to treat wages and salaries in kind as being made in kind is new. At least it would deserve an explanation.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

2. Paragraphs 8.83-8.91 of the revised text shown in Add.1 set out the distinction between social security and social assistance. Institutional arrangements for the ways that government provides social benefits vary widely from country to country so that distinctions that hold generally are difficult to draw. Are these guidelines set out in these paragraphs clear? Can you think of any other way that is internationally robust to reinforce the distinction between social security and social assistance?

General comment	Again, the reason for the treatment of transactions in kind as if they were in cash should be given. The rationale mentioned in the fourth line of paragraph 8.84 is not convincing, as there is no reason why the unit that buys a good or service should necessarily use that good or service up.
8.88	Fourth sentence: Because it is a <i>contributory</i> scheme...
8.89	Usefully here could be mentioned that social security may serve income replacement and provision of care (goods and services). The example of free housing provided by social security that should be treated as if paid in cash seems a mistake (if it not a mistake, it is a major deviation from the current SNA).
8.91	Last sentence. The text could mention the normally used term of “means-testing.”
8.93	It is unclear why social security is presented as an employment-related scheme. In addition, the words “and not reimbursed” are not clear.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

- Section H of the revised text shown in Add.1 discusses the redistribution of income in kind account and its relation to the concept of actual consumption. Discussion of this account is not presently included in chapter 8 (either in the 1993 text or the draft of 1 August 2007). Do you agree this is a useful addition?

General comment	See general comments given in Part 1.
8.94	Regarding the bolded section: (i) We would prefer to say ... consist of <i>individual</i> goods and services ... with a discussion of what these are. (ii) It could be made clearer that the not economically significant prices paid by households are not part of the social transfer.
8.98	Regarding the convention: (i) In some countries (like Luxembourg) the in and out flows with the rest of the world are certainly not balanced. Does the convention then still hold? (ii) The true reason for the convention seems not be the indicated balancing of flows, but rather the wish to keep the values of the two concepts of final consumption exactly the same. Some of the conventional macroeconomic identities would otherwise need change.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

### **Part III. Other specific comments**

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comment directly on the PDF of the addendum.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make very detailed comments please send a message to [sna@un.org](mailto:sna@un.org) requesting to receive a version of the addendum permitting you to comment. To optimize your commenting tools please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>