I. INTRODUCTION

The economic accounts of a region or nation provide a statistical picture of the economic system. Such information is significant in describing and analyzing economic change and contributes to many forms of economic decision-making.

While economic accounts as they exist provide a framework for what they include, they also highlight what is excluded. The consequence of the exclusion and thus the non-quantification of a number of significant variables has meant that these rarely or inadequately enter the decision-making process. This has tended to be true in spite of the fact that a number of the omissions, as pointed out below, represent significant magnitudes in the overall framework.

A. Coverage of Economic Accounts

In the present Canadian accounts, all production that enters into the marketplace is included in the National Statistician’s measures of output.\(^1\) The boundary of what is included is extended to include all output of enterprises producing goods and services for sale, even though some of this output is not actually sold. Thus, for example, farm output which can be measured at market prices is included. This extension of the boundary means that the measure of output of such included items does not vary according to whether the output of such enterprises is sold or is consumed by the producer. Additionally, government activity tends to be included within the boundary of production. Since no market prices exist for government production, the output is valued at cost of production. Certain household and government activities which are similar to market activities are included in the measure of production. These, for example, include the operation of owner-occupied residential dwellings and an imputed rent on government-owned buildings. As a result of these imputations, the measure of production
will not vary when a shift in occupancy occurs. Other cases where imputations are made include: the value of board and lodging given to workers in lieu of wages; and an estimated value of services rendered by banks.

Currently, household production that is consumed by the producer or members of the same household is considered to be outside the boundaries of production since, it is argued, statistically it would be very difficult to measure the physical volume of household production and to find a suitable valuation for it.

B. Criticisms of Accounts

Structured in the manner just outlined, income and product accounts do not provide an adequate measuring stick for all economic activity. Consequently, one cannot from the accounts determine total production occurring in the economy. To the extent that only market, and not all production, is measured, any change over time or difference from place to place in the ratio of measured to non-measured production may result in a change in the value of measured production when, in fact, total production has not changed. This violates a basic principle of such accounting procedures, which states that the total should not be affected by institutional change. On the other hand, but related to the foregoing, is the criticism that, as they are currently designed, present accounts do not provide an adequate measure of economic welfare. In short, there is significant agreement that a number of changes to the accounts would be desirable and perhaps more practical than had previously been contemplated.

C. Recommended Modifications

The major modifications which have been recommended for the national accounts involve, first, a set of imputations designed to introduce a broader concept of investment. These would extend investment to include not only business capital outlays but also household and government expenditures for structures, equipment and inventories, intangible outlays for research and development, education and training, health and mobility and even the costs of rearing children to working age.2

Other modifications include imputations for the value of household