

Measuring non-market activity in the national accounts – who is the consumer?

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Abstract

There has been an increasing tendency in the national accounts to treat government as a producer with households as consumers of the output. This culminated in the Atkinson Report (2005), where non-market output is considered as a kind of marketed output, but where no price or value is revealed when the service is delivered. This is enshrined in principle A: “*the measurement of government non-market output should, as far as possible, follow a procedure parallel to that adopted in national accounts for market output.*” This paper demonstrates through an example that it is wrong to treat the recipient of public services as a consumer, as if they were on the receiving end of an economic exchange. The true consumer of public services is society at large, and it is government as the representative of society which acts as consumer of public services. A large area of research has been initiated on how to measure government activity as if it were a market service. The assumptions necessary are open to contest, and it is difficult to agree measures that are consistent over time or space. This has particular relevance for the European Union, where economic and fiscal policy requires reliable and harmonised statistics on growth.