Increasing GDP relevance and usefulness in a changing, globalising world – Arguments for measuring a unique and complex food – Human milk – in GDP
Focus on

- GDP relevance and the broader System of National Accounts.
- Household production of goods that are consumed for own use.
- Measurement issues relating to human milk
  - valuation
  - human capital
- Measuring unpaid work.
- Note some recent related ABS work.
- Still some further work required.
GDP and national income history

- National Accounting began as an attempt to measure income, not production - 1665 William Petty
- Simon Kuznets, 1934.

- Never meant to measure welfare or well-being
- Monitor the behaviour of the economy
- Macroeconomic analysis
- Monetary policy and fiscal policy
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Need to consider repercussions on the economy
Services of owner-occupied dwellings

- Variations in home ownership
- Well organised markets for rented housing
- Policy implications
- Imputed rent can be taxed
Sequence of Accounts

Transaction accounts

Stock accounts

Income & use of Income

Other flows accounts

Sectors
1 = Non-financial corporations
2 = Financial corporations
3 = General government
4 = Household + Uninc + NPISH
5 = Rest of world

Opening Balance sheet

Capital
Non-financial assets
Net lending

Financial assets and liabilities
Net worth

Other changes in assets
Non-financial assets

Financial assets and liabilities
Net lending

Closing Balance sheet

Non-financial assets

Financial assets and liabilities
Net worth

Opening stock + Transactions + = Closing stock
Measurement issues

- Valuation?

- Paper estimates Human milk to be equivalent to 17% of Food consumption.

- This is for roughly 2% of the population.

- Willingness to pay / choice of substitute

- Labour Force implications

- OECD defines Human capital as the productive wealth embodied in labour, skills and knowledge.
Unpaid work and the Australian Economy

- Time use survey,
- Domestic work, Child care, Shopping, Volunteer and community work
- Value of unpaid work = wage rate \times \text{time spent on unpaid work} \times \text{population (>15)}
- Market replacement cost or opportunity cost
- Divergent results but still large (41.6% to 58.7% of GDP) for 2006
• Enhance the measurement of output in the non-market sector (particularly in health and education) on a basis consistent with the national accounts

• Develop a labour account on a national accounts basis to allow industry analysis of labour growth, jobs, hours worked and income.
Concluding remarks.

- In concept, production of human milk should be in the accounts.
- Some classification issues to work through.
- Agreement on valuation is going to be tricky.
- Need to consider the sequence of accounts and also intermediate consumption.
- Need to consider relevance in relation to macroeconomic policy implications.
- Broader household services are better served from a Satellite account approach.