

The Sixth IMF Statistical Forum

SESSION V: PANEL DISCUSSION: FROM THEORY TO PRACTICE ACROSS DIVERSE COUNTRIES

November 19, 2018

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PRESENTERS: Feng Lyu (National Bureau of Statistics, China);
Yemi Kale (Statistician General of the National Bureau of Statistics, Nigeria);
Ian Goldin (University of Oxford).

PANEL TOPIC

The panel will discuss what can be done, what are the priorities and the challenges of national statistical offices (NSO) to move beyond the current standard framework for macroeconomic statistics to develop indicators of economic welfare, as discussed in this forum.

SUMMARY OF DISCUSSION

1. A potential consequence arising from the discussion of this Forum for statistical offices is the need to move beyond the well-established measurement frameworks of GDP. This implies the development of indicators that better account for the benefits of the digital economy on economic welfare. Do you agree with this need? Why or why not?

Feng Lyu suggests dividing the question into three parts. First, can GDP capture the essence of the digital economy; i.e., the large increase in welfare? The answer is no. There is a proliferation of free services, such as in telecommunications, that have improved household welfare but these are not captured by GDP. For these changes to be captured, major methodological changes would be needed. Second, should NSOs modify the methodology to reflect this increase in welfare? Again no. GDP was never designed to measure welfare. However, free goods and services are not a new concept in GDP, as NSOs have always imputed values to some free services, such as owner-occupied housing. In particular, the providers of free digital services do receive some form of compensation in relation to the service they provide to the public. These associated costs, revenues, and payments will be reflected in GDP. Third, should we create new indicators to reflect digital welfare? Yes, but this task is not easy.

Yemi Kale notes that this is even more difficult for countries that are still trying to fully implement the 2008 SNA, the current international standard for estimating GDP—as is the case for most African countries. It is no coincidence that the statistical forum does not have a paper from an African NSO on measuring the digital economy.

Ian Goldin agrees that GDP should not be turned into a welfare indicator but notes that the extent and the speed of change brought by the digital economy has implications for how NSOs estimate GDP. These changes will accelerate, as we are only at the beginning of the digital revolution. Estimates are that 30-50 percent of economic activity will become digitalized in the near future. The implications of this revolution are momentous. The current methodologies were not designed to deal with the dematerialization of economic activity and the fundamental transformation of work that will accompany it. Nevertheless, natural resource accounting can give us clues to begin to think about these issues. NSOs could certainly measure welfare as a satellite account. And, if not welfare, we can measure the negative externalities of development (e.g., depletion of natural resources, depression and stress from excessive work). And while it is true that capacities are limited in Africa, the digital revolution provides opportunities for leapfrogging—e.g., digital payments by-passing banks.

2. *How can we better account for unpaid work?*

Feng Lyu notes that NSOs could impute prices for most services derived from household unpaid work but, including unpaid work in GDP would fundamentally shift the production boundary. If we included non-market services in GDP, then the latter would not serve its purpose for economic policy as policy tools are not designed to have an impact on non-market services. In addition, international comparability would suffer, as imputed prices are subjective and country-specific—a point emphasized by **Yami Kale** as well. In Nigeria for example, family members often provide permanent labor without monetary compensation. A more practical solution would be to develop satellite accounts for non-market or un-remunerated services, including those produced within households. To circumvent the pricing differences, the panel suggested statisticians begin with volume measurement for unpaid work, thus, making measurements more cross-country comparable. **Ian Goldin** saw no problem in finding imputed prices for unpaid work, particularly in developed countries, where shadow prices abound (e.g., hourly prices for cleaners, babysitter; minimum wage), including for “gig” jobs—which may help in pricing small household tasks. Things may be easier down the road, as un-remunerated work is becoming increasingly formalized (e.g., elder care). To address the highly subjective nature of defining un-remunerated work (i.e. is driving your child to school considered an unpaid transportation service) and country specificities, a set of general rules should be established by the international community that allow for countries to define their own methodologies.

3. *Given the above, where to start? What is feasible?*

Feng Lyu suggests creating a satellite account on the digital economy as a good place to start, defining a digital sector can provide a measure of the value-added and share of GDP. The other priority is to develop better price statistics, taking advantage of the multitude of price points available online. The third priority is how do we define the employment situation of people involved in the digital economy, un-remunerated work and gig economy work (e.g., UBER driver, Airbnb). These three areas reflect the concerns of most data users: economic performance, prices/inflation, and employment.

Yemi Kale cautions that indicators should not be selected only taking into consideration advanced economies structures. Strategies for the development of indicators should be tailored to specific countries or regions as it is important to select the right indicators for policy purposes. For example, the MDGs wanted to measure improvements in education and net enrollment rates was the chosen indicator. Policies were developed that provided cash grants to enroll children in school, yet it was seen that literacy rates were falling. It turned out that parents were enrolling their children in school just to receive the cash grants and then removing their children from school. In this case net completions may have been a better indicator to monitor. In addition, much of the data is produced by the private sector and NSOs in less developed economies have a hard time accessing these data.

Ian Goldin identifies five priorities for NSOs and international organizations. First, the price implications of the digital economy, such as better understanding of inflation in the digital world which is needed for monetary policy, alternative deflators for household consumption, and living standards. Second, understanding where the digital economy is. Where are the profits, the output, the revenues, and the IP registered? This has implications for employment, taxes, and distribution. How can the value of data be priced? Could advertising revenue be used as a shadow price? Third, information on Fintech as an increasing amount of financial service activity is happening outside banks and is increasingly opaque and unregulated. Fourth, considerably expand Time-Use surveys. It is no longer the case that workers work only at work and enjoy leisure at home. Workers today do shopping or book a holiday at work, and work at home, while commuting, or on holiday. Expanding the application of Time-Use surveys may clarify the productivity conundrum to some extent. Fifth, improved methods to understand the reservation prices to compensate for the loss of digital service would be extremely useful to estimate the value of “free services.”

QUESTIONS AND ANSWERS:

Questions and comments focus on the changing nature of the economy, should the production boundary move or not, and movements across the production boundary. **Feng Lyu** agrees that the production boundary of GDP has kept evolving over time, for example, R&D was added in 2008. However, a different question is: should this be done now? In his view, it is too early, though satellite accounts should be established. **Ian Goldin** recommends that the IMF and statistical agencies make progress on the methodological questions at the frontier. Once the methodological questions have been dealt with then they will become easier to incorporate in the national accounts. However, he reiterates what **Yemi Kale** said and cautions not to create new measures that widen the divide between the advanced economy statistical system and economies with less statistical capacity.