

# **Nonmarket Accounts: An Essential Element**

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Annandale-on-Hudson, New York, USA  
October 3, 2005**

# Message

- Goal is to increase the prominence of nonmarket accounts
- Without nonmarket accounts, market accounts can be misleading
- Nonmarket sector is particularly important as it creates human capital

# Putting On Statistical Agency Hat

- Role as Chief Economist
- Lessons from SNA revision process
- Environmental accounts & Nature's Numbers

# CNSTAT Panel Book

- Abraham and Mackie (2005)

Beyond the Market:  
Designing Nonmarket Accounts for the  
United States

# Panel Members

- Katharine Abraham, University of Maryland, Chair
- David Cutler, Harvard
- Nancy Folbre, University of Massachusetts
- Barbara Fraumeni, Muskie School of Public Service
- Robert Hall, Stanford
- Daniel Hamermesh, University of Texas
- Alan Krueger, Princeton
- Robert Michael, University of Chicago
- Henry Peskin, Edgevale Associates
- Matthew Shapiro, University of Michigan
- Burton Weisbrod, Northwestern

# National Market Accounts

- Aside from Government and nonprofits, most of the nonmarket sector is excluded
- Exception: Owner-occupied housing
- Consumer durables if included would be about 8% of GDP

# Misleading

- When there is a change in the location of activities
- Tremendous increase in female labor force participation in the U.S. over the 2<sup>nd</sup> half of the last century
- A man marrying his housekeeper story

# Scope

- Important to include all nonmarket activity
- Do not use the third party rule!
- Human capital formation particularly important to count

# Fundamental Elements

- Inputs and outputs (quality)
- Values and quantities (or prices)
- Comparability to national accounts
- Arguing in their terms

# Time Use

American Time Use Survey  
U.S. Bureau of Labor Statistics

# Labor Inputs

- Generalist, specialist, or opportunity cost wages
- Productivity-adjusted replacement wage
  - Household production time
  - Time spent by parents educating their children
  - Volunteer time
- Opportunity cost wage (net of enjoyment value)
  - Student time in education
  - Health maintenance or improvement

# Nonlabor Inputs

- Capital services, including consumer durables
  - Energy
  - Materials
  - Services
- 
- Isolate items in national accounts

# Output Values & Quantities or Prices

- Household production
  - Market proxy - Holloway et al. (2002)
- Education
  - Test score approach - Murnane et al (1995)
  - Incremental earnings - Jorgenson & Fraumeni (1989, 1992)
  - Housing – Black (1999)

# Output Values & Quantities or Prices

- Health
  - Impact on income earned – Farrell & Fuchs (1982)
  - Quality-adjusted life expected measure (QALY) – Weinstein et al. (1996)
  - Total valuation acceptable rather than marginal valuation

Value of Inputs = Value of Outputs

- Not necessarily so in these accounts

# Human Capital Accounts

## An Important Addition

- Human capital formation is the core of nonmarket activities
  - Education
  - Health maintenance and improvement
  - Children born, raised, & nurtured
  - Care for family and others
- Social capital

# A Goal

- Set it and strive for it
- The value of nonmarket activity is significantly larger than that of market activity
- Acknowledge the importance of nonmarket activities

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