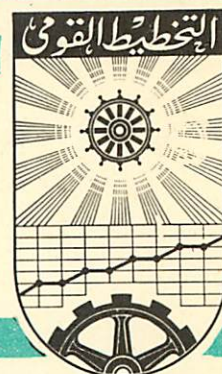


# UNITED ARAB REPUBLIC

## THE INSTITUTE OF NATIONAL PLANNING



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SUBSISTENCE TRANSACTIONS

in Relation to

THE NATIONAL ACCOUNTS OF THE  
SOUTHERN REGION OF THE U.A.R.

by

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## Introduction

The following note presents a short review of the design of National Accounts that was adopted over the period from 1955 up to the end of 1960 at the national planning commission.

In reading the following pages, the statements, should therefore, be taken to describe one historical stage of the effort undertaken, by the technical secretariat, in preparation for the construction of the first five year plan.

It was written in connection with a conference on National Accounting which was attended by a group of African experts in Addis Ababa in June 1960. At that time work on National Accounting, on both theoretical and statistical levels was at its full swing. Since then interest in this field gave to, presumably, other more pressing subjects. At the time of writing this introductory note one may correctly, but regretfully, describe such interest as being at a stand still.

When first conceived, the design aimed at serving certain very specific purposes, amongst which planning, within a given institutional set up was foremost. Since then, it has been outmoded by the newer "design" adopted in the Annual Plan Documents. This latter design is unique in more than one sense. To begin with, the definition of the "productive" activities undertaken within the economy is widened to include activities undertaken by the Public Administrations. Accordingly, where all purchases of goods and services were previously treated as intermediate to "Collective" Consumption of society, in



the second version they are treated as purchases intermediate to production. This procedure, as is well known, remains always a prerogative of the designer, who is concerned with serving specific uses. But the "novel" part of the new design is the manner in which the very same activities of the sector of Public Administrations are treated simultaneously, both as productive and as leading to final consumption. Such duality in the treatment of the Public Sector appears to stem primarily from the desire to reconcile the rapidly expanding role of the State in the field of real-income distribution (through collective services, e.g. health, education, etc.) and the impelling desire to defend the "useful" nature of such activities on grounds of productivity.

A second important difference lies in the measurement of Gross production at market price. Specifically, it arises in connection with the Sector of Trade. Where as in the earlier design gross production by trade, at market price, was measured inclusive of indirect taxes (tariffs included) - subsidies, the newer version excludes customs and indirect taxes ((?)) as a means of avoiding double count. In this case the meaning of double count appears to be the confusing issue.

Aside from the above major divergencies, between the two designs, all other differences are due primarily to changes in the nomenclature of commodities, sectors and transactions.



## SUBSISTENCE TRANSACTIONS

### IN RELATION TO

### THE NATIONAL ACCOUNTS OF THE SOUTHERN REGION

### OF THE U.A.R.

Subsistence transactions in the Egyptian Economy, while not negligible, are of minor importance. They are, mainly, to be encountered within the agricultural sector- and only to a limited extent. While the village market plays some role in determining the pattern of local resource allocation, agricultural production remains predominantly market oriented. Furthermore, in view of the envisaged change of the institutional set up within the agricultural sector, subsistence transactions are likely to lose further ground.

The following note deals with the way that subsistence transactions are treated in the Egyptian Accounts. They are taken in the narrower sense of auto-consumption, auto-investment, and auto-supply.

### GENERAL DESCRIPTION OF THE STRUCTURE OF ACCOUNTS

1. The Egyptian accounts which were developed with the express view of serving development planning provides for a minimum of flexibility called for by the variety of uses to which the accounts are put. Of these uses at least three may be distinguished:

- L. Testing the physical consistency of the individual proposed as part of an overall programme.



2. Preparation of a balanced investment plan, optimal or otherwise.
3. To the extent that financial intermediaries assume an active role in financing capital formation and growth, it should provide the basis for the analysis of the financial flows.

These three basic uses which are undertaken in both physical and financial terms require a design which provides, at least conceptually, a place for all economic activity in a manner which permits a numerical representation of the im-  
~~perical~~perical correlates needed for the application of a number of specific analytical technique. Through appropriate aggregations of transactors and transactions, it should make it possible to derive all customary elements of traditional input-output models and data required for analysis of consumption behaviour.

2. The design, in its barest outline, consists of establishing for each of the transactors one or more account in which are recorded all the transactions undertaken during the period under study. The transactions appearing in these accounts are then grouped according to whether they stand for the exchange of commodities, transfer, or involve creation (destruction) of claims.

3. Use of this procedure leads, as a natural consequence, to the arrangement of all economic transactions in the form of a transactions matrix, i.e. "tableau economique" crossing sources and uses statements for all (and each) groups of transactions against similar statements for all (and each) group of economic agents.



4. In so far as the commodities are concerned, the balances distinguish among 10 major commodity groups, namely:

- 1) Agricultural Products
- 2) Foodstuffs
- 3) Raw materials
- 4) Semi Manufactured Goods
- 5) Products Used for Providing Energy
- 6) Mechanical Products
- 7) Yarn and Textiles
- 8) Construction and Other Products, and
- 9) Other Products, and
- 10) Services.

Each is further divided into subgroups, following the importance of the commodities included in each, adding up to some 74 categories of goods and services.

In choosing the particular groupings adopted for the goods, and services, use was made of a dual criteria. First and foremost, it was essential that commodities (or groups of commodities) of strategic importance be distinguished separately. By strategic importance is meant the special place of importance assumed by certain commodities in determining the rate and pattern of economic growth. This explains the distinction made among the major agricultural products, primarily, cotton, food grains and livestock. It also explains the particular importance attached to capital goods. Similar explanations could be given for the separation of such commodity groups as basic metal products, yarn and textile, electricity, refined petroleum etc.



A Second criteria adopted is the stage of processing exercised upon the commodity. This is done with the express purpose of facilitating the movement to the type aggregation of commodity flows, adopted in an input-output table.

In classifying services the overwhelming factor, in determining the adopted breakdown, is the availability of information. Despite the relative wealth of information availed about primary and secondary activities very little information is collected, on a systematic basis, about the tertiary activities. Accordingly there is very little room for choosing among the different aggregations.

The balances of transfers distinguish among some 10 main classes of monetary transactions. Each is further subdivided, giving rise altogether to some 30 subcategories. But in actual application, the availability of data was such as to allow the use of the more detailed breakdown only in the case of government transactions. Transactions of other economic agents are classified, mainly in the more summary form.

The distinction among the major categories of this second group of transactions is, essentially, dictated by the desire to single out the classes which are of greater analytical and policy implementational significance. This explains, for example, the separate treatment of three types of profit disbursements, by the business sector, namely:

- a) dividends paid by the private organized (corporate) group of enterprises,



- b) Profits paid by public enterprises to general government,
- c) Profits of the unorganized (non-corporate) group of enterprises, transferred to household.

The differences in the possibility of controlling each of the above disbursements should be very clear.

The balances of financial transactions, in the meantime distinguish among four major types of claims: a) claims arising among non financial agents, on the one hand, and financial intermediaries on the other (as debtors); claims arising among nonfinancial agents; c) claims arising among financial intermediaries, and ; d) claims arising among financial intermediaries, on the one hand, and financial intermediaries on the other (as creditors). Each of these classes is further divided according to the duration of claims involved and the relationship that is established among domestic agents and the external world. Altogether there are some 40 subclasses of claims.

5. In grouping the economic agents, the accounts distinguish among four major groups:

- a) The sector of enterprises;
- b) The household sector;
- c) The sector of administrations, and
- d) The rest of the World sector.

The main activity of the agents belonging to the first sector is production, of the second and third is consumption.



The sector of enterprises consists of both privately owned and directed institutions as well as public institutions. The criterion adopted in choosing the latter subsector is really complex and once more the main consideration was the necessity of distinguishing aspects of public economic activity which assume, more or less, a relatively strategic role when regarded from the view point of national development effort. This explains to a large extent the inclusion of the Land Reform Organization, Public Estates, the Military Factories engaged in civilian production, the Suez Canal, ... etc.

The social insurance and security funds, which were treated in the 1954 accounts as part of the financial group of public enterprises, is treated in consequent accounts as part of the sector of administrations.

Within the business sector, economic agents are grouped according to their main activities into 12 major branches of economic activity, and some 87 sub-branches. Each sub-branch is further classified according to the institutional form characterising its organizations. Thus the organized sector consists of public enterprises and corporations (companies subject to law 26 for 1954). All other enterprises are included in the non-organized sector.

The sector of households constitutes, in point of fact, a combination of economic agents which it is hard to define precisely. This is due to the:



- a) residual character of its commodity and financial transactions and as well as agents included, and
- b) the manner in which the applications of the concept of territoriality to production and expenditure leads to the inclusion of all temporary residents within the group of households. But as a matter of principle it should exclude all non-profit private institutions, foreign and international organisations, and general government agencies. But, it must be pointed out, that the 1954 accounts included all these institutions except for the last sub-group of agents. For reasons of statistical expediency they included even the British Troops and families placed in Egyptian Territory.

While the initial design allows for a breakdown of the household sector in accordance with certain socio-economic considerations, so such breakdown is undertaken in the 1954 accounts. It would seem that any further efforts along this line would have to await the availability of additional information, originating from the more recently initiate national consumption surveys.

The sector of administrations, meanwhile consists essentially of public agencies engaged in general government activity, together with private non-profit institutions. It also includes the social security fund administrations for employees by both the public and private agents. In addition it includes all foreign diplomatic and consular agencies together with labour unions and various associations.



In view of the particularly substantial volume of activity undertaken by general government, an attempt is made in the accounts to distinguish among purposes of the activity. In this respect a distinction is made among:

- a) National Security
- b) Health
- c) General Education
- d) National Culture
- e) Basic Research
- f) Basic Public Work, and
- g) General Administration,

In view of the predominantly territorial nature of Egyptian Statistics, the accounts of the Rest of the World cover the transactions undertaken by agents domestically located with other agents located abroad. By necessity these accounts exclude transactions undertaken by branches and affiliates of Egyptian agents located outside the national border.

As a matter of principle we recognize, for each of the above sectors, three basic types of activity undertaken by the economic agents grouped under it giving rise accordingly to the possibility of constructing for each sector, a production account, an appropriation account and a capital account. In the case of the Rest of the World we have only a revenue and expenditure account.



RELATION OF NON-MONETARY TRANSACTIONS TO MONETARY TRANSACTION.

1. Despite the significance that subsistence transactions assume in certain branches of economic activities one may safely assume that they are of minor importance to the economy. In consequence, and as a whole, no attempt is made at separating them in the accounts. Whether looked upon from the view point of the effect that they may have upon current resources availed to the economy or their uses, such transactions are implicitly included as part of the estimates in the accounts. In what follows subsistence transactions are defined in the narrower sense, so as to include auto-supply, auto-consumption and auto-investment. They should not be taken to include transactions that take place within the village market. Excluded, also one transaction standing for imputed rents.

2. In dealing with the treatment of the subsistence transactions, within the frame of the Egyptian accounts, it is useful to distinguish among the following categories:

i) transactions involving real flows of goods and services

a) auto-consumption, and  
auto-investment

b) auto supply

ii) transactions involving primary factors of production.



3. The transactions belonging to the first category assume some magnitude of importance in the agricultural sector. Indications are that transactions connected with auto consumption are of relative importance. In this respect the products most directly involved are Maize and Dairy products. They are estimated to involve at most some 10-12% of total agricultural production.

Meanwhile there is a possibility that the production of certain types of animal food is connected with a certain amount of auto-supply. This is particularly true of Berseem. If by-products are taken into consideration, the importance of subsistence transactions connected with auto-supply are likely to increase in importance. Altogether, it is, perhaps, safe to assume that some 2-3 % of total production is involved in this capacity.

4. The second category of transactions involving primary factors of production is also important in agriculture. Under the prevailing extended family system unpaid family labour is supplied on a very extensive basis. It is estimated to amount to some 50 - 60% of total labour requirements.

In the earlier accounts constructed for the period 1954-1958, no attempt was made at separating wages due for family labour. They were consequently added to income from property ownership. Recently this attitude has been reviewed. The latest estimates include them with the item of wages.