

What is the value of a home? Distinguishing owners from renters and landlords in the national accounts

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By Utz-Peter Reich
Mainz University of Applied Sciences, Germany
E-mail address: utz.reich@gmail.com.

Abstract

National accounts impute a value of production to people living in their own dwellings. The question of which method to choose for compilation is difficult and was recently dealt with in a thorough manner in the Journal of Housing Economics [Capozza, Dennis R., Nakamura, Alice O., 2009]. This paper raises the fundamental yet simple question looming behind why the imputation is made in the first place. Its investigation yields three findings. First, the logic of the imputation is only poorly examined and explained in the System of National Accounts itself (SNA93), although the imputation represents the major exception to accounting principles. Second, the imputation was incorporated into the national accounts for historical reasons, mainly as a legacy of tax laws and theories prevailing at the advent of national accounts. Third, the imputation not only causes a serious bias in the measurement of national product, but an even worse distortion in the determination of operating capital and of labor productivity.

The paper is a plea for opening a discussion on the issue, and a search for an alternative way of recording the housing economy. It offers a possible method which works in greater conformity with SNA principles, while also being more faithful in reflecting the structure of institutions and markets governing the national housing economy.

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