

THE EVOLUTION OF MODERN ECONOMIC ACCOUNTS

Review of Zoltan Kenessey (Ed.), *The Accounts of Nations*, IOS Press, Amsterdam, 1994, pp. vii + 251 (ISBN 90-5199-156-8).

Z. Kenessey presents eleven papers prepared for a session of the 1992 Conference of the International Association for Research in Income and Wealth (IARIW), introduced by his initial essay "The Genesis of National Accounts: An Overview." The session, organized by Kenessey, was intended to supplement and extend the classic work by Paul Studenski *The Income of Nations*, published in the 1950s, by discussing the transition from simple national income estimates prior to World War II to modern complex national economic accounts during recent decades. Seven of the essays trace developments in selected countries or regions, and three concern the development of the United Nations Standard System of National Accounts (SNA). There is also an historical note on quadruple-entry bookkeeping (by Harry Postner).

The theme of Y. Kurabayashi's essay "Keynes' *How to Pay for the War* and its Influence on Postwar National Accounting," is apparent in the title. Appendices to the book by Keynes, which appeared in February 1940, contained estimates of "national output and taxable income," which he compiled from estimates made by Colin Clark. Keynes also published his estimates in the *Economic Journal*. They were made in an articulated accounting framework, except that external transactions were not explicitly presented. This led to the project by J. M. Meade in June 1940, soon joined by J. R. Stone, to develop an accounting framework and then estimates. They were published in a White Paper and then in the celebrated article in the June-September 1941 issue of the *Economic Journal* "The Construction of Tables of National Income, Expenditure, Saving and Investment." Later Stone went on to become the chief author of the 1947 UN report containing the first international recommendations on compiling national accounts. Kurabayashi also directs attention to the contribution of Professor Yuzo Morita to studies of issues raised by social accounting in Japan in the early 1940s, with special reference to the war-time economy.

Similarly, Z. Kenessey discusses "American Contributions to the Development of National Accounts." He notes that Irving Fisher anticipated the social accounting movement in his 1906 work *The Nature of Capital and Income*, and subsequent articles. Writings by Morris Copeland and Robert Martin were even more specific concerning economic accounts. Work by Simon Kuznets at the National Bureau of Economic Research was important, but did not employ an accounting approach. The work at the Department of Commerce beginning in 1940 under Milton Gilbert eventuated in the double-sided national income and product estimates in 1942 and double-entry national accounting in 1947. Kenessey thinks the official U.S. estimates were more influenced by Stone and the work in the U.K. than by the American pioneers.

Odd Aukrust's essay "The Scandinavian Contribution to National Accounting" is the longest and most detailed in this book. He first describes Ragnar Frisch's conceptual work on the Eco-Circ System. A first version of it was ready in 1942, but it was not fully implemented statistically because of the war. Estimates were independently prepared within the government by Petter J. Bjeve and published in 1946. When responsibility shifted to Aukrust, he developed a synthesis of ideas from Frisch and Stone, whose work became available after the war.

In Sweden, the conceptual thinking of Erik Lindahl had similarities to that of Frisch but Lindahl headed a team that produced a monumental study in the 1930s entitled "The National Income in Sweden 1861-1930." After the war, further progress was made by Ingvar Ohlsson. The Lindahl study sparked a similar study by the Danish statistical office under the leadership of V. Kampmann who published tentative results in 1942. After the war, Kjeld Bjerve and Paul Milhoj attempted to combine the best of Scandinavian and Anglo-American thinking. In the 1970s all three countries began shifting to the 1968 SNA, which itself reflected important aspects of Scandinavian thought as a result of Odd Aukrust's influences in the U.N. deliberations.

Gert P. den Bakker informs us, in "Dutch National Accounts: A History," that the first Dutch estimates were made in the CBS in 1933, with subsequent annual estimates. During World War II, Van Cleef compiled a "national book-keeping system" and provided estimates, but the Netherlands was cut off from contact with statisticians in other countries. Soon after liberation, J. B. D. Derksen, later Chief of the National Income Unit at the UN, visited Stone in England to catch up on developments there. The needs of Jan Tinbergen and other model builders hastened the improvement of national accounts under the direction of Dr C. A. Oomens. Successive revisions and extensions resulted in a strong set of national accounts. Derksen and Oomens played an important role in development of the international standard systems of national accounts. A Dutch specialist wrote the chapter of the SNA-1993 on social accounting matrices, which fit well with the flexible approach to accounts advocated by the Dutch school.

"Development of National Accounts in India" is discussed by S. G. Tiwari. He lists all the estimates made for India by Indians and others from the first ones in 1857 up until independence. In August 1949 the new Government appointed a National Income Committee chaired by Professor P. C. Mahalanobis, with Messrs Kuznets, Derksen and Stone as advisors. In its first and final reports in 1951 and 1954, the committee presented a framework of social accounts and estimates for 1948-49. A National Income Unit was created in the Ministry of Finance. Tiwari describes the progress of the national accounts, the development of regional accounts and estimates of income distribution and poverty. Of particular interest to the IARIW was the formation in 1962 of the Indian Association for Research in Income and Wealth whose biennial meetings and seminars have covered a wealth of topics.

In "German National Accounts between Politics and Academics," Utz-Peter Reich covers selectively the history of the German accounts from the first estimates by Leopold Krug in 1805 for Prussia to 1967 when the law on economic stabilization was passed and the national accounts were securely established as an important part of the statistical system of the GDR. He stresses the need for national

income accounts to understand economic theory, and for academic economists to value economic accounting as a field for study and research to avoid some of the problems that beset the German developments.

In “The Material Product System (MPS): A Retrospective,” Janos Arvay of the Hungarian Central Statistical Office follows the Marxian system from its first elaboration in the U.S.S.R. in 1923–24, through its adoption as a common system for the CMEA countries in 1969, and its development and extensions until its abandonment in 1990. It is interesting that while Hungary published all the MPS indicators, it also incorporated all major macro-economic aggregates proposed in the 1968 SNA. By 1988–89, almost all of the eastern and central European countries started publishing estimates of GDP and its components and were trying to integrate the MPS and SNA systems. In 1990 the former was supplanted by the latter.

The three essays on the SNA complement each other nicely. “Constancy and Change in the United Nations Manuals on National Accounting” by Fritz Bos of Eurostat covers all four generations of international guidelines. The 1947 report was a pioneering effort and was quite detailed. The 1953 report contained a simpler accounting system with a limited number of sectors and accounts. The 1968 report was as elaborate as that of 1947, and the 1993 SNA had a greatly increased amount of detail. Major changes related to accounting structure, sector classifications and scope. Some basic concepts such as the production and asset boundaries, and various accounting conventions, have changed very little between 1947 and 1993.

Graham Pyatt’s short note “Intellectual Foundations for the 1968 SNA” suggests that policy concerns drove model developments and demands for new data systems. He stresses the central role of commodity balances in the system, and Stone’s preference for a social accounting matrix form of presentation as more elegant and efficient than the simpler double-entry system.

Anne Harrison has been a major player in the recent revision of the SNA. In “The SNA: 1968–1993 and Beyond,” she notes that the new “Blue Book” represents the result of a comprehensive review of all aspects of the accounting framework and involved a wide range of experts from all types of economies. She considers it unfortunate that handbooks with practical recommendations for implementing the system have not yet been finalized, and identifies the contentious issues that were discussed. She views satellite accounts not as a refusal to face up to alternative treatments but as a possible forerunner to innovations in the system as a whole.

One might wish that Kenessey or someone else could have done a Studenski-type integrated history of post-war developments in national economic accounting. However, when it is done, the essays comprising *The Accounts of Nations* will be an important source of information.

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