

INTRODUCTION TO THE SPECIAL ISSUE OF THE *REVIEW OF
INCOME AND WEALTH* ON THE IARIW-OECD SPECIAL
CONFERENCE ON THE FUTURE OF NATIONAL ACCOUNTS:
“W(H)ITHER THE SNA?” (PARIS, 16–17 APRIL 2015)

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On 16–17 April 2015, an IARIW-OECD Conference on the Future of National Accounts took place under the title “W(h)ither the SNA”. The conference consisted of four keynote addresses, and nine sessions with a total of 33 papers.¹ An excellent turnout of well over 100 participants and lively exchanges marked the two day event.

“SNA” in the title of the conference stands for the international standards for compiling national accounts, the “System of National Accounts”. It dates back to the days after the Second World War, and is presently in its fourth version, the 2008 SNA, providing close to 700 pages of detailed guidance, which by now has been implemented at least in part by a significant number of countries. The System consists of an accounting framework (with extensions) and a set of rules and principles designed to describe the economy in detail. It categorizes and defines transactions and balance sheet positions for the measurement of a nation’s income and economic wealth. The best known and most widely used measure in the SNA is Gross Domestic Product (GDP).

In recent years, there has been increasing concern that—because it is not a measure of welfare—GDP should either radically change, or even be replaced, in order to have a measure that takes explicit account of social and environmental issues, including income distribution and unpaid work. Some of the participants shared these concerns and might be content to see the SNA wither away. At the

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¹The conference programme and all papers and presentations are available on <http://iariw.org/c2015oecd.php>.

other end of the spectrum, other participants argued that despite limitations, the SNA has been a great success, helping the 2008 financial crisis to be managed among many other uses. In between there were a number of participants who accepted the basic framework of the SNA but argued that some significant changes, such as the inclusion of more forms of capital and the appropriate treatment of globalization are necessary for it to remain relevant in a rapidly changing world.

The main conclusions of the conference were as follows:

- There was universal agreement that social and environmental issues were important. Even before changes to the SNA could be agreed, there is no reason why measures of these should not be presented in a more inclusive statistical framework where the existing SNA, possibly to be renamed into “System of National Economic Accounts (SNEA)”, formed only one part, and where all thematic issues, or “alternative measurement frameworks”, were given equal status.
- There was a clear consensus that, within the SN(E)A itself more attention should be paid to household-related indicators. Doing so, the development and dissemination of distributional information on income, consumption, saving and wealth across various household groups should be further pursued. Ultimately, such information can also feed into synthetic measures of economic well-being.
- It was noted that many of the extensions that are suggested rely more heavily on modeling techniques than on accounts based mainly on observations. Even if full integration of the two was neither practicable nor desirable both should be available to users.
- In view of the increasing user demands for alternative indicators and more detailed information, it is considered of the utmost importance to design a flexible system of statistics, also allowing for an improved linkage of the macro-economic data and micro data sources. In this respect, special consideration should also be given to the links of concepts and definitions with (business) accounting practices, when embarking on future changes to the SN(E)A.
- It was also noted that, because the SNA is used for administrative purposes, there is pressure to keep it as stable as possible and little enthusiasm for frequent revisions. Nevertheless, pressing current challenges include how to deal with the cross-border accounting strategies of multinational enterprises, when they reflect fiscal optimization rather than the location where value added is generated, how to measure the increasing role of knowledge and intangible assets in the economy, and how to measure financial services. Even when a far-reaching change to the system is agreed to be advisable in principle, extensive practical experience is desirable before being formally adopted. Such experimental work could also be seen, in the interim, as part of an extended statistical framework.
- Every country, however small the economy, can gain from having good quality macro-economic statistics based on SNA concepts, even if implementing the full system may not always be possible. In this respect,

having specific compilation guidance, focusing on the basics, for countries with less developed statistical systems was considered important.

- It was noted that many critiques of the SNA betray a lack of understanding of what the system does and does not try to measure and how much more the system covers than just GDP. It was argued that a very brief synopsis of the system (ideally not more than 50 pages in length) would be extremely helpful to users and might help avoid the sometimes misguided criticism. Such a document could explain the indicators derived from the accounting framework, their strengths and weaknesses, and how they relate to economic theory and the target variables of economic policy. More generally, national accountants were urged to emphasize communication on their products, not only with the public at large, but also—and perhaps more importantly—with the research community and with policy makers.

This Special Issue of the Review of Income and Wealth first includes the four keynote addresses by, in order of appearance, Anne Harrison, Diane Coyle, André Vanoli, and Peter van de Ven. Anne Harrison, having a lifetime experience in national accounts and being the editor of the latest version of the SNA, provides a short overview of the history of the international standards for compiling national accounts. She then continues with a discussion of possible ways forward to address criticism of the system, by proposing new procedures for the future update of the SNA which may create more enhanced opportunities for involving larger communities of producers and users of national accounts data in the debate on international standards. Diane Coyle has become a major player in discussions on the future of national accounts, by her blogs on macro-economic statistics and her very successful book “GDP—A Brief but Affectionate History”. In her keynote address, she raises the problems related to the inevitable uncertainty about the published national accounts statistics, including the failure of statisticians, economists as well as politicians, media and the public to acknowledge this uncertainty. More importantly, she also raises concerns about whether or not GDP and the national accounts still do a good enough job in tracking economic welfare. According to Diane, the current national accounts clearly fail in the latter respect, and an in-depth debate on the future directions is warranted. André Vanoli is the “eminence grise” of national accounts, with his more than 50 years of experience in contributing to the development of the conceptual framework of national accounts. His book “A History of National Accounting” provides an extensive recap of the history of the System of National Accounts, including his direct involvements in discussions on major themes in the past decades. In his keynote address, he makes a strong plea for a systems approach, in which the central framework of the System of National Economic Accounts (SNEA) is not unduly complicated with theoretical constructs requiring quite problematic estimation procedures. Instead, he argues for supplementing the SNEA with a variety of satellite type of accounts to address certain phenomena. Peter van de Ven has worked in the area of national accounts since the early 80s, first at Statistics Netherlands, and since 2011, as head of the national accounts division at the OECD. He too was very much involved in international discussions on the development of national accounts, being a member of the Advisory Expert Group (AEG) on

National Accounts, the worldwide standards setting group of experts, since its start. In his keynote address, he discusses the main developments and challenges in relation to the sources for compiling national accounts (input), the technologies for processing data (throughput), and the user demands for national accounts (output). As a way forward, he proposes to implement a design of official statistics that is much more transparent when it comes to the treatment of statistical data in the various compilation stages, with much clearer links between micro statistics and national accounts, thus allowing for more flexibility and more granular analysis. Anne, André and Peter have all been strongly engaged in the work of the International Association for Research in Income and Wealth (IARIW). They chaired the Association in 1998–2000, 1977–1979 and 2010–2012, respectively.

After the four keynote addresses, this Special Issue continues with a selection of articles from the contributions to the Special Conference. All the papers presented at the conference remain available on the IARIW website and a list of them is appended to this introduction. Not all are so fully developed as to warrant inclusion in the journal but each clearly articulates particular concerns of the authors. Many indicate areas where they feel there is a specific instance of social or environmental concern that should be addressed. A number of papers represent a *cri de coeur* from practicing national accountants who fear that overloading the system with a wide variety of issues would be detrimental to the essential structure of the accounts and weaken the basis for analysis for devising fiscal and monetary policy. A number of aspects of this diversity of views are captured in the four keynote addresses though readers are encouraged to consult the website for in depth consideration of particular issues.

The seven papers included in this volume address a variety of topics, as follows:

- In his article “Improving the SNA Treatment of Multinational Enterprises”, Dylan Rassier (US Bureau of Economic Analysis) discusses the issue of globalization, more specifically the impact that activities of multinationals can have on the measurement and interpretation of national accounts. He proposes a dual presentation that adds information to improve understanding of the role of multinational enterprise and special purpose entities.
- Marshall Reinsdorf (IMF), Dominique Durant (Banque de France), Kyle Hood (US Bureau for Economic Analysis) and Leonard Nakamura (Federal Reserve Bank of Philadelphia), in their article “Improving the Treatment of Holding Gains and Losses in National Accounts”, discuss the longstanding issue of how to define income in the System of National Accounts and whether or not (at least part of) holding gains and losses should be included in the definition of income. They propose a number of supplementary measures to cope with alternative definitions of income and output.
- “Public Intangibles: The Public Sector and Economic Growth in the SNA”, by Carol Corrado (The Conference Board), Jonathan Haskell (Imperial College) and Cecilia Jona-Lasinio (ISTAT and LUISS) sets out a framework for analyzing the impact of public investments on

productivity and economic growth. In this framework, they propose to broaden the asset boundary by including public intangibles and long-lasting societal assets.

- A further proposal on extending the asset boundary of the SNA is presented in the article “The Accumulation of Human and Nonhuman Capital, Revisited”, by Barbara Fraumeni (Central University for Finance and Economics, Beijing, The National Bureau of Economic Research, and also a former chair of the IARIW), Michael Christian (Education Analytics, Madison) and Jon Samuels (US Bureau for Economic Analysis). They have updated the Jorgenson-Fraumeni human capital estimates, which allow them to quantify the (possible) impact of educational attainment, female labor participation and the greying of the population.
- On the other end of the spectrum, Robin Lynch (consultant in national accounts, and former Director of National Accounts at ONS, UK) and Bent Thage (consultant in national accounts, and former Director of Economic Statistics at Statistics Denmark), in their article “Maintaining the National Accounts as Official Statistics”, make a strong plea for putting a halt to, or even reversing, the continuous demand of certain user communities to extend the current asset boundary of national accounts, and to include more and more intangibles as assets. They argue in favor of a satellite account to serve the user needs for enhanced productivity analysis.
- Better capturing (material) well-being in the system of national accounts is the topic of the article “A Consistent Data Series to Evaluate Growth and Inequality in the National Accounts”, by Dennis Fixler (US Bureau of Economic Analysis), David Johnson (University of Michigan), Andrew Craig (US Bureau of Economic Analysis) and Kevin Furlong (US Bureau of Economic Analysis). By creating a mapping between survey based micro data on household income and consumption within national accounts, they show the importance of using a national accounts based measure of income when examining the relationships between inequality and economic growth.
- The last article, “Measuring Individual Economic Well-Being and Social Welfare within the Framework of the System of National Accounts”, by Dale Jorgenson (Harvard University) and Paul Schreyer (OECD), shows how consumption-based measures of economic welfare can be integrated into the national accounts without changing the production or asset boundary. The article also provides guidance on how to make explicit normative and methodological choices transparent and how to present social welfare measures.

We would like to thank all people who have contributed to the success of the Special Conference, as keynote speaker, as contributor of a paper, as discussant, as session chair, or provider of logistical support. We would also like to thank the reviewers of the keynote addresses and the articles in this Special Issue of the *Review of Income and Wealth*. We wish you pleasant reading, and we sincerely

hope that it adds to your knowledge and understanding of the richness of the System of National Accounts.

ANNEX: OTHER PAPERS PRESENTED AT THE 2015 IARIW-OECD CONFERENCE “W(H)ITHER THE SNA?”

The full programme of the conference can be downloaded at the following address: <http://www.iariw.org/c2015oecd.php>.

INCORPORATING WELL-BEING INTO THE SNA

Surajit Deb (Aryabhata College, University of Delhi), “[Gap Between GDP and HDI: Are the Rich Country Experiences Different from the Poor?](#)”

Paul Allin (Imperial College London) and David J. Hand (Imperial College London), “[From a System of National Accounts to a Process of National Wellbeing Accounting.](#)”

Nancy Folbre (University of Massachusetts, Amherst), “[Accounting for Care: A Research and Survey Design Agenda.](#)”

Harpreet Kaur (Punjabi University) and Anupama Uppal (Punjabi University), “[The Unpaid Activities and Well Being: The Measurement Issues, Challenges and Limitations.](#)”

NATIONAL ACCOUNTS IN THE WIDER STATISTICAL CONTEXT

Jacques Magniez (National Institute of Statistics and Economic Studies), “[The Platypus Syndrome.](#)”

Erich Oltmanns (Federal Statistical Office of Germany) and Klau Heine (University of Rotterdam), “[W\(h\)ither R&D in the SNA?](#)”

Robert P. Parker (Consultant), “[Balancing the Needs of Future SNA Revisions with the Resources of National Statistical Offices.](#)”

Michael Osterwald-Lenum (Statistics Denmark), “[Sketch of Elements of a Measurement Theory of Economics as an Extension of the Current Sequence of SNA Manuals.](#)”

Dong Qiu (Beijing Normal University) and Yafei Wang (Beijing Normal University), “[Potential Challenges of Sustainable SNA.](#)”

Alessandra Coli (University of Pisa) and Francesca Tartamella (Italian National Institute of Statistics), “[The Role of Microdata in National Accounts: Towards Micro-founded Accounts for the Household Sector.](#)”

Michael Davies (Australian Bureau of Statistics), “[The Future of the SNA: A Practitioner’s Point of View.](#)”

MONEY AND FINANCE IN THE SNA

Erwin Diewert (University of British Columbia and University of New South Wales) and Kevin J. Fox (University of New South Wales), “[Money and the Measurement of Total Factor Productivity.](#)”

Bo Bergman (No affiliation, formerly at Statistics Sweden), "[Balance Sheets: A Financial/Liability Approach.](#)"

NATIONAL ACCOUNTS IN A GLOBALIZING WORLD

Mark de Haan (Statistics Netherlands), Rami Peltola (United Nations Economic Commission for Europe), Michael Connolly (Central Statistics Office of Ireland), Tihomira Dimova (United Nations Economic Commission for Europe), and Jennifer Ribarsky (OECD) "[Recording Factoryless Goods Production Arrangements in the National Accounts.](#)"

Utz-Peter Reich (Mainz University of Applied Sciences), "[Value-added: Why Consistency In Aggregation is Essential for Global Accounting Standards, and How It Is Achieved.](#)"

Nan Zhang (Stanford University), "[Measuring Global Flow of Funds and Integrating Real and Financial Accounts.](#)"

HUMAN CAPITAL, GROWTH AND PRODUCTIVITY IN THE SNA

Ariel Alberto Coremberg (ARKLEMS+LAND), "[Natural Resource and Human Capital as Capital Services and its Contribution to Sustainable Development and Productivity. A KLEMS \$\pm\$ N \(Natural Capital\) Approach.](#)"

Deb Kusum Das (Ramjas College, University of Delhi), "[The Challenges of Integrating National Accounts and Productivity Accounts in Global India: The Role of the KLEMS Dataset.](#)"

Wendy Li (U.S. Bureau of Economic Analysis), "[Technology Accounts in the National Accounts.](#)"

Brent R. Moulton and Nicole Mayerhauser (U.S. Bureau of Economic Analysis), "[The Future of the SNA's Asset Boundary.](#)"

THE FUTURE OF NATIONAL ACCOUNTS

Bram Edens (Statistics Netherlands), Dirk Van den Bergen (Statistics Netherlands), Maarten Van Rossum (Statistics Netherlands), Rutger Hoekstra (Statistics Netherlands) and Marieke Rensman (Statistics Netherlands), "[The SNA: Facing a Choice Between Measurability and Relevance?](#)"

Albert Braakmann (Federal Statistics Office of Germany), "[Beyond SNA - A Broader Approach to Well-Being.](#)"

Suresh Chand Aggarwal (University of Delhi), "[Quality of Life: Issues and Challenges in Measurement.](#)"

Michael Wolf (Statistics Sweden), "[The Emperor's New Clothes: The Remaking of an Accounting Framework.](#)"

Alice Nakamura (University of Alberta) and Leonard Nakamura (Federal Reserve Bank of Philadelphia), "[The System of National Accounts and Alternative Economic Perspectives.](#)"