Value-added: Why Consistency-in-aggregation is Essential for Global Accounting Standards, and How to Achieve It

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Paper Abstract:

Price and volume measures are dealt with rather late in the SNA, in chapter 15, appearing as a kind of voluntary compilation, supplementary to the core of the accounts. Actually, national accounting would be useless without them. Volume measures assure that economic development may be monitored over time, and compared between nations, in a meaningful way. However, the theory standing behind has not been formed from within the national accounts, but imported from the mathematical field of index numbers, based on axioms of microeconomic price theory. So there are certain zones of conflict between the two fields, one of which is that indices recommended by the theory create inconsistencies when combined from lower to higher levels of aggregation, in the accounts.

The paper argues that such inconsistencies may be admissible, and coped with, within the scope of a fairly well defined national economy, but they are destructive when it comes to compiling supranational, or even global, accounts. It shows that in contrast to current tenets a consistent chain index can be designed, demonstrating the fact by means of data from France, Denmark, and Germany.