

## **IARIW-OECD Special Conference on the Future of National Accounts: “W(h)ither the SNA?” Paris, 16 – 17 April 2015**

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, by André Vanoli, Anne Harrison, Peter van de Ven and Diane Coyle, and nine sessions with a total of 33 papers<sup>1</sup>. 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 SNA 2008, providing more than 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 categorises 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 GDP does not measure welfare and calls have been made to either radically change, or even replace, GDP 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 other end of the spectrum, other participants argued that despite limitations, the SNA has been a real 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 globalisation 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.

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

- It was noted that many of the extensions that are suggested rely more heavily on modelling techniques than the mainly observations based accounts. Therefore full integration of the two was maybe neither practicable nor desirable as long as both were 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 be given to the links of concepts and definitions with (business) accounting practices, also 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 optimisation 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, focussing 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. 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 emphasise 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.