



EUROPEAN CENTRAL BANK

EUROSYSTEM

Comments to Tsujimura and Tsukimura “A flows of fund analysis of Japanese Economy”

IARIW – Bank of Italy Conference



31 March 2023

Ilja Kristian Kavonius, European Central Bank

1. Content

- Create complete flows of funds from production accounts to financial accounts
- Enhanced distributional aspects:
 - Financial corporations: central bank, commercial banks, credit unions and other financial institutions
 - Households: home owners, mortgage home owners and tenants
 - Non-financial corporations: primary, secondary and tertiary
- Complete interlinked (?) who-to-whom tables
- Calculated Leontief inverse: who benefits from increase of unit of fund?

2. Remarks

- Well written, good idea – no technical comments
- Given the level of complication of the framework, use the actual framework for more in depth analysis – as an example the use framework in analysis of economic shocks:

Castrén and Kavonius (2015): Transmission of shocks in the integrated accounting framework, Journal of Network Theory in Finance Vol. 1, Iss. 2, <https://www.risk.net/journal-of-network-theory-in-finance/2412699/transmission-of-shocks-in-the-integrated-accounting-framework>

- Any plans to extend this to balance sheets and other changes:
- Clarification on the last page it is written that flows of funds include realised holding gains...? Shouldn't be other/price changes?

Thank you.
