



May 5, 2008

## Comments to SNA revision

### *Population and labor inputs (2. 154 – 2 156)*

Data on population and labor inputs, unlike those on human capital and welfare which are to be presented in satellite accounts, “are integral part of the system”, and, in our opinion, very important part. Therefore, due explanations should be – in our view – presented rather in Volume I (preferably as chapter 16, and present chapters 16 and 17 should follow as chapters 17 and 18) and not in Volume II as proposed.

### *Weapon system (10.86 and 10 142)*

It is not clear to us why “single use” criteria should not be applied to ballistic missiles and which general criteria for classification of a product as a fixed asset are more important than “single use” criteria. The ability to provide an ongoing defence service against aggressors is a doubtful argument to classify a product as capital good and fixed asset. This type of service does not increase production, as defined in SNA, and is not a part of GDP.

Whatever final recommendations, they should be - in our opinion - unequivocal and not formulated as “may be treated”.

International comparability is most important and from that point of view it may be advisable to apply - as a practical one - the solution according to which all military expenditures are treated as final consumption.

*Research and development (10.104 – 3.101)*

Explanations to this point are – in our opinion – inadequate.

Nowadays it is very difficult to differentiate between basic and experimental research, especially in big enterprises. Experimental research follows basic research and without the results of the former the latter is often impossible. The issue should be discussed further.

A statement that “R+D that does not provide an economic benefit to its owner does not constitute a fixed asset and should be treated as intermediate consumption” seems to be inconsistent with the statement that “Unless the market value of the R+D is observed directly, it may, by convention, be valued at the sum of cost, including the cost of unsuccessful R+D”. The latter does not provide economic benefit in any case.

The issue should be discussed in more detail with a clear conclusion what type of R+D in which institutional sector (esp. government) is to be treated as final or intermediate consumption and not as capital formation.

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