Comments on draft SNA chapter:
Chapter 14: Summarizing and presenting the accounts

Deadline for comments: 03 December 2006
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This three-part template allows you to record your comments on draft chapter 14 easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.
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Part I: General comments

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

Comment:

Sections B and C are the most important sections in that they present analytical and accounting information; the remaining sections are more oriented toward general commentary. Unfortunately, the purposes of Sections B and C are not clear and I found the text quite confusing.

I think there are two general issues that could usefully be addressed in sections B and C. First, one could start with the definition of GDP from chapter 6 (output plus, if necessary, taxes less subsidies on products, less intermediate consumption) and then demonstrate that the expenditure and income methods of measuring GDP produce, in principle, exactly the same result. Second, the relationships between GDP and the various income measures and how those relationships are connected with transaction with the rest of the world are implicit in chapters 6 to 13, but are not summarized and clearly demonstrated. It would be useful to do so here.

The relationship between the accumulation accounts and changes in balance sheets is too important to be relegated to a section in the middle of this chapter. The section now in this chapter is also too short to accomplish its goal.

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 14, you may wish to devote particular attention to the passages listed below. There is space after each issue for any comment you wish to make.

1. Sections B and C describe the derivation of the most common macro-economic aggregates.

Comment:

Section B.1 refers to T accounts and the goods and services account. The introduction, however, does not state what the goods and services account is or why it is being introduced and derived here. In particular, the first subsections refer to summarizing and consolidating the current accounts. It is not clear that these subsections are related to the goods and services account and lead into its derivation.

The concept of the goods and services account is quite important, but not well developed in this section. To begin, it is not clear that this account is even an account similar to the production account and the other accounts developed in chapters 6 to 13. Those accounts have balancing items that are not flows or stocks but are values that can only be obtained by subtracting one group of flows or stocks from another group of flows of stocks. Instead the goods and services account is a collection of transactions that purport to represent all goods and services available for use in a domestic economy and all uses made of those goods and services, with the assertion that the two totals must be equal. But it is not obvious that all sources and uses are included or that the two totals are equal. The first problem is that there are opening stocks of goods and services that are not explicitly addressed: stocks of fixed assets, inventories, stocks of valuables, and stocks of existing consumption goods. One could reasonably assert that production and imports augment the opening stocks of goods and services and that this increased total of goods and services is either consumed or become the stocks of goods and services at the end of the period. The goods and services account could then be defined as a partial representation of this accounting relationship (revaluations and other changes in the volume of assets are omitted).

By characterizing some of the uses of goods and services as net fixed capital formation, changes in inventories, and acquisitions less disposals of valuables, the opening stocks become, in effect, negative uses; that feature should be pointed out explicitly. It should also be pointed out that final consumption may include negative values for sales of existing consumption goods.

Another issue that should be addressed is whether there are any accounting problems caused by valuation changes. First, taxes less subsidies on products may or may not have to be included as a source of goods and services depending on the valuation of output. Second, it might appear possible that the account will not balance because of valuation changes. For example, if a good is produced in the beginning of the period and consumed late in the period, then the value of the output probably does not equal the value of the consumption. It would help to explain why this valuation change is, in fact, not a problem for balance of the two sides of the goods and services account.

Finally, an impression is given that the goods and services account can be derived from the tables in chapters 6 through 10, with the unexplained oddity that the transactions of the goods and services account appear in columns while all other transaction appear in rows. But exports and imports are in the goods and services account, but are not in the tables in chapters 6 through 10, which makes the entire connection tenuous. One explanation is that some transactions have different labels when presented as uses than they do when presented as resources. For example, an output transaction is always a resource for the producer but it is not obvious what the corresponding transaction to be presented as a use (or a change in assets) is. One common possibility is an increase in inventories, but there are other possibilities. Other transactions, such as interest or social security benefits in cash, have the same label when shown as a resource as they do when shown as a use. Even when the use and resource have different labels and appear in different accounts, the value of the use must always equal the value as a resource. If the goods and services account is characterized as the collection of all transactions that have different names when presented as uses and resources (or changes in assets or liabilities), the two sums of uses and resources must be equal because the two sides of each individual transaction are equal. This type of explanation, however, is made more difficult because the transactions involved in the production, distribution, and use of goods and services are not fully enumerated in the existing text in terms of the two units involved in a transaction (for example, what is the equal-valued counterpart of output or final consumption for the other unit?).

The use of the term “T-account” in section B.1 is confusing. Its description in paragraph 14.5 seems to be identical to a description of the tables in chapters 6 through 13, but apparently a T account is different. Moreover, I am accustomed to the use of the term T account differently that the term is used in this chapter. Rather than attempt to develop a common understanding of the term, I think its use is unnecessary in this chapter and can be avoided.

The purpose and meaning of tables 14.1 and 14.2 are not clear. For most transactions, the sum of all payables equals by definition the sum of all receivables of the same type. Including two numbers on opposite sides of a table (or account) that are equal by definition does not add any information or affect the balancing items. This identity appears to rob most of the meaning from table 14.1. The only transactions for which total payables do not equal total receivables are those for which the payables are classified separately from receivables (for example, output and intermediate consumption) or those for which the payables are classified in a different account (such as consumption of fixed capital in the production account and the capital account).

Imports and Exports are included in table 14.1, but paragraph 14.5 says that the table includes only line items from tables in chapters 6, 7, 8, and 9. Exports and imports are not in those tables. Thus, it is not clear what the combination is supposed to represent.

Because exports and imports are added to table 14.1, the value derived for gross saving differs from the value for gross saving in table 9.1. It is not clear what this concept of saving is and what its relevance to the chapter is. Moreover, the balancing items in table 14.1 are confusing because the value of saving depends on the values for imports and exports, but the values for value added, balance of primary income, and disposable income ignore the values of imports and exports. Yet there is no mention or explanation of this different treatment.

Section C is most welcome. It could be used to better effect, however, to show (1) the relationships between the various definitions of income and net flows of income between the domestic economy and the rest of the world, (2) the relationship between flows of goods, services and income and financial flows, and (3) the equality of saving and investment, where investment must include net lending to the rest of the world. Several comments of this nature are indicated in the chapter.

2. Section D mentions the need to present the accounts in time series format.

Comment:

Paragraph 14.39 suggests that extending the tables in chapters 6 through 13 to show time series is simple and minor. It really means an vast increase in the number of tables as one can show all sectors in a single table or one sector and several years, but not both and retain any understanding.

Paragraph 14.40 seems to suggest that consistency over the entire time series is not important because it is necessary only to have accurate data for the most recent years.

Section 2 (revisions) seems to confuse the timing of the initial publication of statistics for a given period with revisions to previously published statistics because new sources have become available. The conflict between timeliness and accuracy concerns the initial publication much more than the revision of previously published statistics. The conflict is quite important, however, and I suggest changing the name of the section.

3. Section E (D.4?) describes the place of volume measures in the accounts.

Comment:

Section D.4 is titled accounts in volume terms, but sections D.5, D.6, and D.7 seems to also refer to accounts in volume terms.

What about income measures? Although they cannot be measured in volume terms, important estimates are made of change in income abstracted from the effects of price changes.

Paragraph 14.51 should mention that estimating changes in inventories in constant prices is very difficult statistically and conceptually. Government (and NPISH) final consumption is difficult only because the proper concept in current prices does not exist.

It would be better to refer to value added rather than output.

The section makes no reference to how to estimate changes in volume. In particular, there is no mention of the desirability and difficulty of using chain link measures.

4. Sections F to I describe briefly other possible dimensions to the accounts.

Comment:

Paragraph 14.61 seems to suggest that seasonal effects are of minor importance for quarterly accounts. I think they are much more important.

5. Section J describes alternative presentations of the accounts.

Comment:

Click here and start typing.

Part III. Other specific comments

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comments directly on the PDF of the draft chapter.

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