

SNA Under Threat

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Paper Abstract:

The paper will set out the case against extending the system of national accounts beyond the fundamental principles underlying the current framework. The current accounting framework describes exchanges and transfers mainly in a market governed by free access, perfect information, with transactions taking place at observable quantities and prices. This enables an articulated picture of the economy to be constructed. The perceived danger is that proposed extensions to better handle environmental and social issues will undermine the principles and corrupt the integrity of the existing system. The starting place of the SNA will be described, and the discussion on whether the activities of government should be included in the picture of the economy, and whether government activity is production in the SNA sense. The paper will describe how the SNA has been extended since the early beginnings, and how some of the extensions have been at odds with the fundamental principles. An example is the recognition of “actual” government and household final consumption, recognising the transfer of resources from government to households through social benefits as equivalent to an economic transaction. Another extension is the proposed recognition of capital services in the core accounts of the SNA – an imputation which requires assumptions on prices and quantities which are not observable.

The paper will unashamedly set out the conservative case for preserving the mathematical rigour and purity of the current system, by restricting enhancements within the framework to those which do not threaten the intellectual strength of the system.

The paper does not argue that issues of well-being, sustainability, measures of use of capital, should not be tackled using the system of national accounts. But the issues must be tackled through extensions of the system where the principles are relaxed in order to allow analysis to be undertaken. This is the approach followed by Stone in his work on what became known as Social Accounting Matrices – SAMs. But Stone did not suggest changes within the SNA – his proposals were based on analytical extensions which unavoidably required assumptions and estimation which could not be part of the core system.