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(ii) Title of paper: Copeland's Money-Flow Accounts and the Presentation Format of National Accounts

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(vi) Text of the abstract:

The input-output analysis initiated by Leontief's 'Structure of American Economy', which was published in 1941, became one of the most popular devices of economics by the end of the decade. Therefore it was a general idea to make attempts to extend the scope of input-output analysis beyond the commodity market into the financial market. One of the earliest examples included Okosirk-systemet or Eco-circ graph proposed by Frisch (1943).

However we had to wait a few more years before the most comprehensive approach by Copeland (1947) had arrived.

His money-flows accounts included not only the financial market in the narrow sense, but all the transactions in which money changes hands. Since his money-flows accounts were based on the modern business accounting rather than in the input-output matrix format, it covered both flows (corresponding to the income statement) and stocks (i.e. balance sheet), thus based on the double-entry system and the historical cost accounting. This sort of traditional double entry system is sometimes referred to as vertical double entry system in the social accounting terminology. In addition to that, the money-flows accounts were classified by institutional sectors, so that the consistency between payment and receipt was maintained. It is often referred to as horizontal double entry system. The combination of vertical and horizontal double entry makes quadruple entry system. Indeed the original money-flows accounts had more resemblance to the entire portion of present-day system of national accounts (SNA) rather than to the statistics which is nowadays referred to as flow of funds accounts, merely one of the five accounts of 1968 and subsequent SNA.

This paper revisits the original money-flows accounts proposed by Copeland (1947, 1952) to see if we can make further improvement of the system of national accounts (SNA), by applying the three fundamental principles adopted in the literature. The money-flows accounts satisfy all the desirable criteria of social accounting: (a) the vertical double entry that ensures the internal consistency within an institutional sector; (b) the horizontal double entry that assures the inter-consistency between institutional sectors; (c) the historical cost accounting that guarantees the consistency between the flow and stock statements, which in turn will ensure the intertemporal consistency between the time periods.

A combination of the quadruple entry system and the historical cost accounting meets all the criteria Frisch might have desired. The advantage of historical cost accounting is the logical consistency between flow and stock accounts. In contrast to 1993 SNA with ad hoc revaluation account, the change in the asset value in this context is a result of the saving behavior and the portfolio choice of the institutional sectors. Since the current transfer associated with secondary market asset transaction has its counterpart in the allocation of income accounts, it will complete the total national accounts as a closed system. Moreover, the scheme presents flows and stocks in an integrated framework, which makes it possible to clarify the relationship between savings and wealth and, therefore the relationship between income and wealth.