BUREAU OF ECONOMIC ANALYSIS
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Economics and Statistics Administration

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In response to the ISWGNA's "Call for suggestions to improve the clarity of the 1993 SNA" I would like to make the following suggestions.

1. Feature the three main GDP identities earlier in the text. By the "three main identities" I am referring to the production approach:

GDP = Sum of gross value added (at basic prices) by industry *plus* taxes less subsidies on products,

the expenditure approach:

GDP = Sum of final uses categories at purchasers' prices (imports counted as negative) = Final consumption expenditure *plus* gross capital formation *plus* exports *less* imports,

and the income approach:

GDP = Sum of the uses of gross value added = Compensation of employees *plus* taxes less subsidies on production and imports *plus* net mixed income *plus* net operating surplus *plus* consumption of fixed capital.

At present these three identities appear only in chapter XV on supply and use tables and input-output. These key identities are of fundamental importance both to compilers and to users, and need to be introduced and emphasized up-front. Also, I suggest adding a statement saying that all three identities are of equal conceptual validity, so that which approach is primarily relied on in estimating GDP should depend on the quality and reliability of the available source data. Some readers of the SNA have interpreted its emphasis on presenting the production approach as an endorsement of the production approach as the preferred method of estimation; I don't think that was the intention of the authors.

2. Clarify the explanation of the use of double column accounts and the role of balancing items. Many first-time readers of the SNA have difficulty grasping the idea that balancing items are derived by summing one column and subtracting the sum of the components other than the balancing item in the second column, thereby ensuring the equality of the sums of the two columns. Furthermore, the term "balancing item" has led some readers to confuse this idea with the "balancing" of supply and use or input-output tables or of statistical discrepancies. "Balancing items" in the accounts are definitional identities in a conceptual accounting framework, whereas the "balancing" of supply and use tables or of statistical discrepancies is a method of estimation that is needed because the source data generally do not satisfy all of the definitional identities.

3. <u>The discussion of the change in inventories needs to be clarified, especially with respect to holding gains and losses</u>. I recommend two papers from the UNECE meeting on national accounts, 25-28 April, 2000, one written by Paul McCarthy of OECD, the other by Kishori Lal of Statistics Canada:

http://www.unece.org/stats/documents/ces/ac.68/2000/18.e.pdf

http://www.unece.org/stats/documents/ces/ac.68/2000/20.e.pdf

4. <u>Two points need to be clarified with respect to D.59, "other current taxes</u>." (1) Taxes on the value of stocks, bonds, and other financial assets appear to be part of "current taxes on other assets," (paragraph 8.53(c)) but the text mentions only "jewelry or other external signs of wealth." (2) The treatment of property taxes on owner-occupied dwellings appears to be ambiguous. Paragraph 8.53(a) says that D.59, other current taxes, "consist of taxes payable periodically, in most cases annually, on the use or ownership of land or buildings by owners (including owner-occupiers of dwellings), tenants or both, excluding taxes on land or buildings rented or owned by enterprises and used by them in production." However, this appears to conflict with paragraphs 4.139-140, stating that household production (presumably including services of owner-occupied dwellings) takes place within unincorporated enterprises and paragraph 7.70(b) indicating that property taxes on land, buildings, or other structures utilized in production should be part of D.29, other taxes on production. It is hard to think of examples of taxable land or buildings that are not used in production as defined by the SNA, so it is unclear what land or buildings are being referenced by paragraph 8.53(a). At any rate, the practice in the United States is to treat property taxes on owner-occupied dwellings as taxes on production and imports because they are taxes on land and buildings that are used by (unincorporated) enterprises in production.

5. <u>The explanation of the accrual principle is somewhat vague and not fully consistent among the various manuals</u>. In particular, the SNA may benefit from some language used in the GFS manual.

We hope that these suggestions will be helpful to the editor in improving the clarity of the updated SNA.

Sincerely,

Brent R. Moulton
Associate Director for National Economic Accounts
Bureau of Economic Analysis