Which value in national accounts?

Dominique Durant

As SNA 1993, SNA 2008 states that assets and liabilities should be valued at transaction value. For negotiable assets, this means market value. The new SNA did not change this rule, but discussed thoroughly its implementation. For instance, non negotiable or seldom negotiated assets may be valued by reference to similar assets (unquoted shares) or as the discounted value of future flows (non financial assets within the theoretical framework of capital services). In that case, the choice of the discount rate is an issue. Loans remain recorded at nominal value, however it was proposed to add memo items on non performing loans and their discounted value. In fact, these different methods do not imply the same time horizon (instantaneous or long term). Neither do they rely on the same idea of the way value is fixed on the markets (objective or not). Another issue is the relation between national accounts and private accounts. On the one hand, national accounts depend on business accounts for basic data, on the other hand they have to explain differences in economic analyses based on their different methodologies. The new accounting standards thus challenged the national accounts, when they proposed to revalue loans and deposits, a proposal that is currently being removed. The most striking difference concerns the way holding gains and losses are taken into account.

This leads to the main issue, which should be solved in a way that respects the internal coherence of national accounts, between asset and liability side of the balance sheet on the one hand, between financial and non financial account on the other hand. Using IFRS vocabulary, financial accounts recognize holding gains and losses in own fund while in many cases the international business accounts recognize them in profit and loss. However, the national accounts are not in a position to apply this principle perfectly: there are in fact some holding gains in bonuses, in premium supplement granted to insurance policy holders, and some taxes are paid on holding gains. Moreover, do national accounts describe in a relevant way the financial flows and the economic behaviors? This paper will examine a possible alternative treatment of holding gains and losses via property income, while having a look to the conceptual and practical difficulties of this proposal.