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BOOK ON THE HISTORY OF THE CES

**CHAPTER 3: THE DEVELOPMENTS AND THE ACHIEVEMENTS OF THE CONFERENCE
OF EUROPEAN STATISTICIANS UPTO THE 1990s: THE POINT OF VIEW OF COUNTRIES
OF EASTERN EUROPE**

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1. Throughout the whole period of the cold war the Conference of European Statisticians (CES) provided a forum for official statisticians from the two groups of countries, i.e. from the countries with market economies (MEs), which included the countries of Western Europe but also the USA and Canada, and from the countries with centrally planned economies (CPEs), which included former USSR and those countries of Central and Eastern Europe with a socialist orientation. The profound differences in the organization of the economy and society of these two groups of countries had a considerable impact on many aspects of their statistical activities, including organization, methodology, sources of data, dissemination of information and so forth. Thus, in the CPEs the domineering role of official statistics was to establish the data base for planning and to monitor the fulfilment of state plans. As a result, the statistical methodology often replicated the methodology of compilation of planning figures. As a rule, the CPEs did not apply international standards in statistics developed by international organizations; this was particularly true in the case of economic classifications. Certain aspects of the statistical information produced by statistical offices of the CPEs was not made public and was considered confidential.. On the other hand, statistics in the MEs always provided a basis for economic analysis and policy-making; the were also used for research and informing the society at large.

2. Another important difference between the statistics of the CPEs and the MEs related to the sources of primary data. In the CPEs there existed a comprehensive compulsory reporting system and all enterprises, organizations and agencies were obliged to submit their records to statistical offices; the role of sample surveys was a rather limited one. In the MEs, although the records of enterprises were also used as a source of information, the bulk of primary data was usually obtained from various surveys, economic censuses and administrative sources.

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3. The CPEs and MEs had different systems of national accounting: the MEs employed the system of national accounts (SNA) whereas the CPEs used the material product system (MPS). As described in detail below, these systems differed in respect to their underlying concepts, definitions and classifications. Due to peculiarities in the institutional set-up, there were also significant differences in the organization and methodology of price statistics, labor statistics, balance of payments and government finance statistics.

But despite these differences in statistics and in socio-economic models of their societies, official statisticians from the CPEs and MEs regularly met at the meetings of the CES and its working parties to discuss a wide range of topics of international statistics, to share their experiences in developing new methods and in solving various problems, to exchange data and to cooperate on a number of projects. So, broadly speaking, the history of the CES during the cold war period is the history of cooperation in statistics between the MEs and the CPEs.

4. The CPEs always paid a great deal of attention to their participation in the work of the CES. The objectives they pursued in this context were manifold. They included:

- achieving international comparability of various indicators characterizing economic development of socialist and capitalist countries;
- propagating their achievements in the development of their national statistical systems, sharing their experience in dealing with various issues (such propagation was often seen as an important political objective);
- obtaining technical knowledge essential in the context of their efforts to improve their own statistical methodology and organization of statistics;
- active participation in selected projects; this objective and attitude became especially pronounced after the adoption of the Helsinki Act on security and cooperation in Europe which envisaged, amongst other things, cooperation in the field of statistics. The choice of projects for cooperation was nevertheless carefully made and reflected both political and practical considerations. Cooperation in statistics within the framework of the CES was always considered by the CPEs in a broad political context; it was believed that interaction in the field of statistics should facilitate cooperation in other areas such as foreign trade, science and technology and so forth.

5. It should be noted that the recommendations and findings of the CES had a considerable impact on the statistical activities and methodology of the CPEs. There are many examples of this impact but the most important ones relate to the work in the field of compilation of input-output tables, national accounting, international comparisons of GDP and purchasing power parities, census of population, environmental statistics, the use of computers for statistical purposes, integration of social and demographic statistics and energy statistics.

6. Most of the CPEs were very attentive to the compilation of *input-output tables* and there were numerous applications of the results of this work. For example, in the former USSR the work in this area initiated in the 1960s was intended not only to enhance economic analysis and secure useful detailed information for benchmark years, but also to improve planning of the economy. The CPEs accumulated considerable experience in this area. Nevertheless, in the course of planning the work in this area they were keen to study generalization of international experience and international guidelines prepared within the framework of the CES. Input-output tables were a particularly important item of work of the CES in the framework of the discussion of the revision of SNA 1953; integration of the input-output tables into the SNA was a topic of special interest for the CPEs.

7. With regard to the work in the field of *national accounting*, there were several aspects of interest to the CPEs. First of all, they were interested in discussions of the various issues of the MPS and they felt strongly that the SNA and the MPS were two alternative systems and therefore should be treated equally;

and indeed on a number of occasions the CES discussed the results of the efforts by the CPEs to improve and expand the MPS. Such discussions took place, for example, at the thirty-second session (1984) of the CES and at the twelfth session (1986) of the Working Party on National Accounts and Balances.

8. Secondly, they were interested in gaining knowledge of solutions of relatively technical problems of compilation of the SNA such as, for example, the methods of computation of GDP and its components in constant prices, the procedures used for reconciliation of various accounts, different types of underlying classifications and so on. Such knowledge of technical matters was deemed to be useful in the context of the efforts undertaken by the CPEs to improve the methodology of compilation of the MPS (despite the important differences between the SNA and the MPS, there were also many similarities between them).

9. Thirdly, they were interested in expanding the scope of economic analysis and achieving international comparability of major indicators. In this context mention should be made of the introduction in the 1970s in national accounting of the CPEs of “the system of indicators of non-material services” (SINS) which described the output and cost structure of non-material services. The SINS originally developed by the Standing Commission on Statistics of the Council for Mutual Economic Assistance (CMEA) was intended to supplement the conventional MPS in order to enlarge the scope of economic analysis and facilitate international comparisons; the SINS was seen as an instrument of derivation of GDP of the CPEs. Therefore, the overall structure of the SINS and its underlying definitions were to a considerable extent influenced by the SNA 1968. The SINS was discussed at the Working Party on National Accounts and Balances of the CES.; the Working Party took note of the SINS and expressed the view that it would be useful in bringing the two systems closer to each other. It should be noted that the Working Party on National Accounts and Balances was set up in March of 1965 and the work was organized into four working groups: Working group on activity and commodity classifications; Working group on public sector; Working group on links between SNA and MPS; Working group on consumption expenditure.

10. Another priority project pursued by the CES which should be mentioned in this context refers to *environmental statistics*; the principle objective of work in this area was to work out methodological principles of the system of environmental indicators and related standard classifications. The former USSR and other CPEs actively participated in this project; suffice to say that a representative of the former USSR prepared the draft classification of solid wastes. Hungary cooperated with Finland and Sweden on studying methodological problems of various aspects of environmental statistics. The work of the CES in this area had a considerable impact on the development of national environmental statistics of the CPEs. The delegations from the CPEs which participated in the sessions of the CES on many occasions expressed their support of the work in the field of environmental statistics; in particular, they very much appreciated the experimental compendium on environmental statistics in Europe and North America released in 1987. The international seminar on environmental statistics was held in Poland in 1980 in accordance with the decision by the CES. The work of the CES on environmental statistics was acknowledged on several occasions by the UN Statistical Commission and gained a reputation of international significance.

11. *The censuses of population and housing* were discussed by the CES a number of times. “Recommendations for the 1990 censuses of population and housing in the ECE region” was drawn up at the meetings on population and housing censuses convened over the 1984-87 period under the program of work of the CES and the Committee on Housing, Building and Planning of the Economic Commission for Europe. The experts from the CPEs made substantial contributions to the work on this document. The recommendations were extensively used by the former USSR and other CPEs in preparation of their censuses; in particular, special attention was paid to the section of this document dealing with the “topics for 1990 population and housing censuses” for which the data were to be collected. A seminar on

censuses of population was held in Federal Republic of Germany in 1989; applications of results of censuses and related issues were discussed there, and the seminar recommended to the CES to publish the major results of the censuses carried out in the region of the ECE in 1990.

12. *Integration of social and demographic statistics* was another important project pursued by the CES; one of the principle objectives of the project was coordination and harmonisation of the definitions and classifications used in various fields of social and demographic statistics. The project was of interest to the CPEs and they participated in and contributed to the discussion of various issues. In this context, mention should be made of the bilateral comparison of socio-demographic indicators carried out by Austria and Czechoslovakia, the results of which were presented to the thirty-fifth plenary session of the CES. The work in this area had an impact on the system of socio-demographic indicators developed by the Standing Commission on Statistics of the CMEA - the international organization of the CPEs - for its member states. It should be noted that the secretariats of the ECE and the CMEA cooperated on a number of topics and it was generally understood that this cooperation was important for the exchange of information and ideas.

13. Some CPEs such as Hungary, Czechoslovakia and Poland participated in the project on comparison of income of households. In 1988 a project on comparison of *distribution of income* was launched with the active participation of Hungary and Netherlands. The main objective of the project was to acquire methodological experience in comparison of distribution of income in countries with different socio-economic systems and different level of economic development; thus, the focus of the project was on the study of methodological problems and the search for possible solutions. These methodological problems referred to the concept of income, the impact of the institutional differences on relative level of income, the categories of recipients and classification of households. The report on this project was discussed at the thirty-seventh plenary session of the CES, which noted that the experience obtained in carrying out the study was very instructive.

14. The former USSR and other CPEs were interested and actively participated in the Inter-country *Project on the use of computers for statistical purposes* and the design and development of an automated statistical information system (also known as Statistical computing project). Particular attention in the context of this project was paid to the work on evaluation of software; the first meeting of the Joint Group on Software Evaluation was held in Hungary in 1988. In this context a special mention should be made of Guidelines and Standards for Evaluation of Microcomputer Software finalized in 1990 by the Joint Group on Software Evaluation. The data base Statistical Microcomputer Software Inventory (STATWARE-1) was also released. Among other important matters dealt with in the context of this project mention should also be made of communication, statistical data base management, data editing, tabulation and implementation strategy. Special Joint groups were set up to deal with these matters. Active participation of the CPEs in the work of the Working Party on Electronic Data Processing should also be mentioned; the Working Party dealt with a wide range of topics pertaining to application of computers for processing statistical information as well as to development of new technologies in this area.

15. There were a number of other important projects pursued in the framework of the CES which were of special interest to the CPEs and in which they took a particularly active part and made substantial contributions. The text below is intended to highlight such projects.

16. One of these central projects refers to the study of *links between the system of national accounts (SNA) and the system of material product (MPS)*. This topic was on the agenda of the CES for a long period and it was discussed a number of times both at the Working Party on National Accounts and Balances and at the plenary sessions of the CES. On many occasions the representatives of the CPEs expressed their views that this project should be carried out on a priority basis. The project had certain political connotations because it implied cooperation between the West and the East.

17. The MPS was originally developed in the USSR in the 1920s and was designed to depict the economy (at macro level) based on the state property on means of production, centralized distribution of resources and central planning. After the Second World War the MPS was adopted by the other CPEs. The unified description of the MPS was prepared by the Standing Commission on Statistics of the CMEA in the 1960s. This document was discussed at the session of the UN Statistical Commission and published by the United Nations Secretariat as the official UN document. Thus, the MPS was de facto recognized in the UN as an alternative system of national accounting to the SNA.

18. In the earlier stages of work carried out within the framework of the CES on the study of the SNA/ MPS links, the focus was on the analysis and description of the intersystem differences; attempts were also made to link the corresponding aggregates of the two systems. The list of terms used in the SNA and MPS was released in English, Russian and French.

19. The discussion of the SNA/MPS links at the CES resulted in the identification of i) conceptual differences, ii) incidental differences and iii) institutional differences.

20. The conceptual differences are largely associated with different definitions of economic production in the two systems, and their impact on the international comparability of the corresponding aggregates of the two systems was most significant. The incidental differences arise due to the fact that the SNA and the MPS were developed independently from each other and as a result some relatively unimportant flows were treated or classified differently. The institutional differences are associated with the differences in organization of the economy.

21. The analysis of the intersystem differences made it possible to work out conversion procedures and to construct conversion tables which described the specific steps needed to link the corresponding aggregates of the two systems. The conversion tables were tested in the course of some bilateral exercises carried out by countries using the SNA and the MPS, for example, by Finland and Bulgaria, by Finland and Czechoslovakia, by Hungary and France; the results of these tests were presented to the CES. In this context, mention should also be made of the work on the conversion of the national accounts of Yugoslavia in terms of the SNA. The CES (thirty-seventh plenary session) was informed on the results of this work. The study of the SNA/MPS links facilitated the eventual transition from the MPS to the SNA.

22. In the late 1980s, the work on studying links between the SNA and the MPS focused on harmonization of the two systems of national accounting; the purpose of harmonization was to bring the two systems of national accounting closer to each other by eliminating incidental differences in the course of the revision of both systems. At the same time some experts were of the view that the SNA and the MPS should be sufficiently flexible that they could be used in countries with different socio-economic systems; it was believed that this requirement should be taken into consideration in the process of revision of both systems. The importance of adaptation of the SNA to conditions of the CPEs was emphasized.

23. Though the experts from the CPEs could not contribute significantly to the work on revision of the SNA (both in connection with elaboration of the SNA 1968 and the SNA 1993), this project pursued within the framework of the CES was of considerable interest to the centrally-planned economies for a number of reasons. Though all CPEs continued to compile the MPS throughout the whole period of the cold war, statistical offices of some CPEs came to the conclusion in the middle of the 1980s that computation of selected aggregates of the SNA, and, above all, the GDP would be useful for economic analysis and should supplement the aggregates of the MPS. For this reason statisticians from the CPEs were keen to study the underlying concepts and definitions of the SNA as well as the methods of computation of the GDP both in current and constant prices (and changes introduced in the SNA as a result of revision). They were also interested in discussion of such controversial topics as deflation of

value of non-market services, calculation and allocation of output of financial intermediaries, etc. In the middle of the 1980s, some CPEs (e.g. Hungary, the USSR) started publishing the estimates of GDP; the methodology of these estimates was, by and large, consistent with the SNA 1968. The CES underlined the importance of this development; the latter was recognized as an important step towards achieving better international comparability of data between countries with different socio-economic systems.

24. At the same time, the concept of “integrated system of macro economic indicators of the SNA and the MPS” was developed and discussed at the CES. The integrated system in question, as viewed by some statisticians, represented a system of national accounting in the framework of which a clear distinction between the flows of material goods and non-material services was systematically made. This arrangement made it possible to derive from the same framework of accounts both the major aggregates of the SNA and the MPS which supplement each other in a meaningful way. It was hoped that integration would result in the availability of more comparable macro-economic data. The concept of an integrated system was discussed at some length at the fourteenth session of the Working Party on National Accounts and Balances and at the thirty-seventh plenary session of the CES (12-16 June 1989). The existence of various interpretations of the concept of integration of the two systems of national accounting was noted. Some experts held the view that integration should be the ultimate objective of work on the study of SNA/MPS links. The prevailing view was, however, that the “the two systems of national accounting would continue to exist in the future”. Most participants of the discussion of this topic agreed that “integration should aim at specific procedures for minimizing differences between the two accounting systems”.

25. In this context the work on development of the concept of “total consumption of the population” should be mentioned. This concept (originally suggested by the statisticians of Hungary) was defined to include all consumer goods and services acquired by the households from all sources (e.g. purchases of goods and services, goods received in kind from own production and as remuneration for work done, social transfers in kind, and so forth.). This concept was considered an important instrument of the international comparisons of final consumption of households in countries with market and centrally-planned economies because the comparative figures on total consumption were largely invariant of the peculiarities in the institutional set-up. It should be noted that the results of comparison of total consumption of population of Czechoslovakia and Finland were discussed at the 14th session of the Working Party on National Accounts and Balances (16-19 May 1989) and were later approved by the thirty-seventh plenary session of the Conference of European Statisticians. It is worth noting that the concept of total consumption of population was transformed later into the concept of actual final consumption of households, which is an important aggregate of the SNA-93. In this context, mention should also be made of the comparative analysis of social expenditure and its finance undertaken by Austria and Poland. This analysis was approved by the CES (thirty-seventh plenary session); the latter noted that the two countries should continue this work, presumably with the involvement of additional countries.

26. *Organization of statistics* and exchange of experience in this field was an important topic of work of the CES and was discussed a number of times. In this context, special mention should be made of the high-level seminar on this topic held in Moscow in 1981 under the auspices of the CES.

27. *International comparisons of the GDP and purchasing power parities (PPPs)* was still another priority project in which the CPEs participated and made important contributions. Since the phase IV (reference year 1980), the ICP was organized on a regional basis. European Comparison Programme (ECP) was launched in June 1979 at the twenty-seventh plenary session of the Conference of European Statisticians as a programme of “European Comparison within the ICP”. The first round of the ECP was carried out for the benchmark year 1980.

28. The countries with centrally-planned economies participated in the ICP starting from the first phases (1970 and 1973 – Hungary, 1975 – Hungary, Poland, Romania, Yugoslavia) but participated actively in the ECP where a Special Group for the CPEs (so-called Group II of the ECP) was set up.

29. The comparisons within Group II, in which Austria was also included as a bridge country, were rather complicated exercises because they concerned countries with different types of socio-economic systems, different types of organization of economy, with different statistical systems (the CPEs versus Austria). The baskets of consumer products as well as investment goods were also very different. To obtain reliable results of comparisons within Group II, a number of methodological and practical problems had to be solved. These referred, first of all, to the following fields:

- i) Classifications (SNA versus MPS);
- ii) Item list and quality adjustments;
- iii) Non-market services.

30. The preparation of the list of product representatives was the most difficult area of comparisons, taking into account availability and characteristics of the individual items, differences in quality of the compared goods and services, different types of outlets. Nevertheless, this problem was solved. Table 1 below contains a summary of volume indices of GDP per capita (Austria = 100) for the CPEs which participated in the different rounds of the ECP (1980, 1985, 1990 benchmark years).

Table 1

GDP volume indices per capita (Austria = 100) in different rounds of the ECP

	1980	1985	1990
CSFR	—	—	50
Hungary	54	47	38
Poland	50	37	30
Romania	—	—	21
USSR	—	—	41
Yugoslavia	47	44	33

31. Participation of the CPEs in the ECP provided a basis for achieving better East-West comparison of real product and PPPs.

32. It should be noted that the CPEs had their own project similar to the ICP and ECP. This project was carried out under the auspices of the Standing Commission on Statistics of the CMEA and envisaged comparisons of the Net material product (the MPS principle aggregate), capital investments, industrial and agricultural output and respective PPPs. Considerable experience was accumulated in this area. Nevertheless, statisticians of the CPEs involved in this work were keen to study the experience gained as a result of implementation of the ICP and ECP. It would be exaggeration to say that the ICP and ECP considerably influenced the work of the CMEA in this area.

33. *Economic classifications and their harmonisation* was an important topic for statisticians from the CPEs and they made a contribution to it. In this context, special mention should be made of the work carried out within the framework of the CES on “correspondence table between the Standard International Trade Classification of the United Nations (SITC) and the Standard Foreign Trade Classification of the Council for Mutual Economic Assistance (SFTC)”. The decision to construct the correspondence table between the UN and the CMEA classifications of foreign trade was taken by the CES at its eighteenth plenary session in June 1970. A test of the draft correspondence table for the conversion of SFTC data into SITC categories was carried out by Austria and Hungary based on the reclassification of the data relating to Hungarian foreign trade with Austria in 1978. At its twenty-ninth plenary session (June 1981) the CES approved the publication by the secretariat of the correspondence table as finalized on the basis of the results of the test and of additional comments from interested countries and international organizations. Considering the recurrent changes and additions to the basic classifications, the CES agreed to the regular updating of the correspondence table. In this context, mention should also be made of the work on linking the ISIC and the Classification by Branches of National Economy developed by the CMEA. The conversion key between the two classifications was tested by Bulgaria and Finland. The draft conversion key was discussed at the thirty-second plenary session of the CES; the latter asked the secretariat of the ECE to publish the conversion key.

34. *Foreign trade statistics* was discussed at the meetings of the CES a number of times in different contexts and the CPEs usually participated. Thus, in 1990 the CMEA submitted to the thirty-eighth plenary session of the CES the report entitled “Some lines of further development in the statistical methodology of foreign trade of CMEA member countries”. The report contained, among other things, a comparative analysis of the methodology applied in foreign trade statistics of the CMEA member countries and the methodology adopted by the UN.

35. At the thirty-eighth plenary session of the CES (held in 1990) one of the issues which was of paramount importance for the former centrally-planned economies dealt with the requirements and plans of the statistical offices of countries in transition. The discussion was based on the report of the seminar on the problems of statistical offices of the countries in transition held in May 1990 in Geneva. The importance of work on introduction of the SNA into the regular practice of the transition economies was emphasized. It was recognized that implementation of the SNA would influence transformation in other branches of economic statistics. It was also noted that the procedures of collection of primary data should be transformed in transition economies. The importance of work on introduction of registers of the enterprises in order to accommodate sample surveys was also noted. It was recommended that statistical offices of countries in transition should use existing international standard classifications and nomenclatures as a starting point for development of national classifications. Taking into account the growing involvement of many international organizations in the solution of problems of countries in transition, the Conference emphasized the importance of coordination of activities in this field. The Conference also emphasized the importance of socio-demographic statistics for monitoring and analysis of transformations in countries in transition. The Conference noted the importance of surveys in the field of unemployment and standard of living.

36. To summarize briefly, the CPEs greatly benefited from participation in the work of the CES in many respects and, above all, in terms of improving their statistical methodology in a number of areas (input - output tables, national accounting, environmental statistics, censuses of population, use of computers for statistical purposes and so forth). On the other hand, they made a considerable contribution to a number of important projects of the CES such as study of links between the SNA and the MPS, international comparisons of GDP and PPPs, economic classifications, comparisons of distribution of income of households. It is worth noting that the MEs also benefited from cooperation with the CPEs. They obtained useful information on the methodology and organization of statistics of the CPEs. One important result of participation of the CPEs in the work of the CES was the gradual expansion of the

volume of statistical information published by them in various editions and provided to the secretariat of the ECE. Thus, the cooperation between the CPEs and MEs in the framework of the CES, despite some constraints associated with the post Second World War period and the differences in organization of their societies and statistics, was remarkably successful. The interaction of the CPEs and the MEs was important in the context of the efforts by the Conference to carry out its major functions.