

# **Impact of Globalization on National Accounts**

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# The Globalization Guide

- A guide to the impact of globalization on national accounts
- Developed 2007-2011 – WGGNA (became GGNA)
- March-April 2011: electronic consultation with all Conference of European Statistics (CES) member countries and organizations
- June 2011: CES endorsed the Guide
- Published December 2011

# The Globalization Guide

- ❖ Statistics
- ❖ There were 63 separate contributors to the guide, as authors, reviewers and commentators
- ❖ From 21 countries and 7 international institutions

# Content of the Globalization Guide

- 11 core chapters in three main groups:
  - Multinational enterprises and global manufacturing (2, 3, 4, 7, 8)
  - International trade in goods and services (5, 6, 9)
  - Household-related issues (10, 11, 12)
- Specific country experiences are presented as annexes to the chapters

## **The way ahead and a research agenda**

- Chapter 14 sets out issues for research
- Meeting the statistical challenges presented by globalization requires international cooperation
- Task Force on global production set up

# What this guide is

- ❖ 1. An introduction to and description of globalization and its impact on national accounts
- ❖ 2. Identification of measurement issues
- ❖ 3. The drawing up of a research agenda
- ❖ 4. A list of useful initiatives to be pursued by countries

# What this guide is not (yet)

- ❖ The answer to all the conceptual challenges
- ❖ A compilation guide on how to compile national accounts allowing for globalization

## Question

- ❖ What is the biggest change between the 1993 SNA and the 2008 SNA?



# Change between 1993 SNA and the 2008 SNA

- ❖ The reclassification of all royalties, licence fees etc. from income transfers to service payments – has a direct impact on GDP
- ❖ Little recognition – see SNA 2008 – “The concept of capital services introduced” A3.68 – one paragraph, and nothing on impact

## Questions arising

1. Are royalties payment for a service ?
2. How do we handle the conflict between the SNA definition of an institutional unit and the concept of residency?
3. Does property provide housing services continuously, or only when occupied?
4. What do we mean by manufacturing?

# 1. Are royalties a kind of service ?

- ❖ No – royalties are the rent of intellectual property, in the same way that rent is an income transfer for the use of natural land
- ❖ Test – does the asset (IPP or land) suffer wear and tear in use?
- ❖ Answer in both cases is NO. No reduction in quantity means payment is not for using up, but for permission to use
- ❖ Rent for land (or IPPs) is special not because land is non-produced, but because land is not used up – there is as much land at the end of the year as at the start

## **2. Is there conflict between the SNA definition of an institutional unit and residency?**

- ❖ Yes!
- ❖ An SPE in the same economy is consolidated with parent
- ❖ An SPE off-shore is treated as a separate institutional unit.
- ❖ But - a government off-shore SPE is reflected in the parent government accounts

### 3. Does property provide housing services continuously, or only when occupied?

- ❖ Continuously, but at a price reflecting the reduced wear and tear “They also serve who only stand and wait” Milton.
- ❖ Consider the analogy with military weapon systems – they don’t need to be used to provide a continuing service

## 4. What do we mean by manufacturing?

- A process which uses goods and services to produce new goods
- When are goods new as opposed to “finished”?
- When the new goods are a different CPA classification at (say) the three digit level
- Does ownership matter in this definition? – YES.
- If no change of ownership between inputs and outputs, no exchange has taken place and so no measure of value and price

# Prioritization of further work

- After country consultations, the following topics have been identified as priorities for future work:
  - Conceptual and practical measurement issues in relation to global manufacturing
  - The recording of international transactions in IPPs
  - Outstanding measurement and data issues related to the implementation of the new standards on goods for processing and merchanting
  - A conceptual framework for dealing with SPEs, including a harmonized definition What is the biggest change between 1993 SNA and the 2008 SNA?

# What's missing from the research agenda?

- ❖ 1. Is intellectual property more like land than produced capital assets?
- ❖ 2. How should statistical offices interact with national tax offices, and how should they accommodate their standards?
- ❖ How should we resolve the conflict of institutional units being different things according to residency?



## Last slide

- ❖ I am very proud of the part I played in the generation and production of the guide “Impact of Globalization on national accounts”
- ❖ I think the whole team are to be congratulated on a great production
- ❖ The IGNA is the start, not the finish, of an essential development in national accounts

# Long-term research agenda (SNA 2020)

- ❖ Is there such a thing as a capital service? Is this a useful concept?
- ❖ Do IPPs provide capital services as part of an existing production function, or does their introduction define a new production function?