

## 2 The System of National Accounts

The System of National Accounts (SNA) constitutes the internationally agreed set of standardized conventions on how to compile, in a coherent and consistent way, an integrated set of macroeconomic accounts to measure economic activity (e.g., Eurostat, 2002). Such procedures require a set of internationally agreed-upon concepts, definitions, classifications, and accounting rules. In addition, the SNA provides an overview of economic processes, recording how production is distributed among consumers, businesses, government, and foreign nations. It shows how income originating in production, modified by taxes and transfers, flows to these groups and how they allocate these flows to consumption, saving, and investment. Consequently, the national accounts are building blocks of macroeconomic statistics, forming a basis for economic analysis and policy formulation.

The SNA is intended for use by all countries, having been designed to accommodate the needs of countries at different stages of economic development. It also provides an overarching framework for standards in other domains of economic statistics, facilitating the integration of these statistical systems to achieve consistency with the national accounts. However, the complexity of the interrelations that emerge makes the understanding of underlying macroeconomic rules difficult.

In 1947, Stone (1955, 1981), then head of the League of Nations Committee of Statistical Experts, submitted for the first time a report from the Subcommittee on National Income Statistics that would constitute the origins of the SNA. During the same year, the United Nations Statistical Commission (UNSC) promoted the evident need for international statistical standards for statistical comparisons in support of a large array of policy implementations.

This led in 1953 to the publication of the SNA under the auspices of the UNSC. It consisted of a set of six standard accounts and a set of twelve standard tables presenting details and alternative classifications of flows in the economy. Successive modifications and extensions were implemented in 1960, 1964, 1968, 1993, and 2008. Extensions made in 1968 deserve more attention in the context of the present monograph. Input-output accounts and balance sheets were added to the framework of the SNA. Attention was focused on constant price derivation and a comprehensive effort was deployed to bring the SNA and the Material Product System (MPS) closer together. The archetype of the modern SNA was implemented in 1993 (Beutel & De March, 1998). In fact, the 1993 SNA represented a major advance in national accounting and embodied the result of harmonizing the SNA and other international statistical standards more completely than in previous versions. Since the first United Nations Conference on the Human Environment held in Stockholm in mid-1972, increasing needs to incorporate environmental aspects into the SNA started to be fulfilled in 1993 when a system of integrated environmental and economic accounting (SEEA) was introduced by Caticha & Giffin (UN, 1993; USA, 2007). The 2008 SNA update addresses issues brought about by changes in the economic environment, advances in methodological research, and the needs of users.