



**UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL**



Distr.
GENERAL

E/CN.3/461
6 June 1974

ORIGINAL: ENGLISH

STATISTICAL COMMISSION
Eighteenth session
Geneva, 7-18 October 1974
Item 11 (b) of the provisional agenda

SYSTEM OF NATIONAL ACCOUNTS

Statistics of national wealth in countries
with centrally planned economies

Report of the Secretary-General

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INTRODUCTION

1. The purpose of this paper is to describe the practices concerning statistics of national wealth in countries with centrally planned economies, including the methodological problems of balance sheets which arise in relation to the System of Balances of the National Economy (MPS).^{1/} It supplements document E/CN.3/460,^{2/} which sets out draft international guidelines on the balance sheets and reconciliation accounts of the System of National Accounts (SNA),^{3/} and delineates the relationship of the practices of the countries using the MPS to the proposed international guidelines.

2. In preparing this paper use has been made, and account has been taken, of the materials and discussions set out below.^{4/}

(a) Chapter V "The indicators of national wealth and the balance of fixed capital" of the document on the MPS.

(b) The discussions and conclusions of the Expert Group on National Wealth of the Statistical Commission of the Council for Mutual Economic Assistance (CMEA).

(c) Information gathered through correspondence with the statistical authorities of countries using MPS.

(d) National publications, books and articles dealing with balance sheets and related problems in the cases of countries using the MPS.

(e) The discussions and conclusions concerning an earlier version of this paper by the eighth session of the Working Party on National Accounts and Balances of the Conference of European Statisticians.^{5/}

3. While this paper is designed to be as complete as is possible, account has been taken of the fact that many methodological problems of statistics of balance sheets are dealt with in considerable detail in document E/CN.3/460. In order to avoid repetition, those problems which are common to both countries using the SNA and countries using the MPS and which are adequately dealt with in the aforementioned document, are not discussed in this report.

I. GENERAL FEATURES OF BALANCE SHEETS IN CENTRALLY PLANNED ECONOMIES

4. Statistics of national wealth have, for a long time, been the subject of interest in countries with centrally planned economies. The first compilation of the balance of fixed assets in the USSR goes back to 1923. Since then, the Central Statistical Office of the USSR has been gathering and compiling data on the various aspects of national wealth. Similar statistics of balance sheets have, in the last two decades, been produced in most of the other countries with centrally planned economies.

5. In countries using the MPS, interest is focussed on balance sheets of material wealth, in particular, on statistics of fixed assets. Practically all of the countries have taken at about ten-year intervals, censuses of fixed assets in which

^{1/} See Basic Principles of the System of Balances of the National Economy, Series F, No. 17, (United Nations publication, Sales No.: E.71.XVII.10).

^{2/} "The proposed balance sheet and reconciliation accounts of the System of National Accounts (SNA)".

^{3/} A System of National Accounts, Series F. No. 2, Rev. 3, (United Nations publication, Sales No.: E.69.XVII.3).

^{4/} The paper was written on the basis of a draft prepared in the Statistics Division of the Economic Commission for Europe.

^{5/} "Report of the eighth session held in Geneva, 17-20 December 1973", Working Party on National Accounts and Balances, CES/WP.22/46.

stocks of fixed assets are valued at replacement values. Balances of fixed assets are also generally compiled annually and statistics on stocks of circulating assets are gathered regularly.

6. As the state and co-operative sector accounts for the overwhelming part of the economy in the countries with centrally planned economies, the conditions for collecting data on stocks of fixed and circulation assets are very favourable. In the case of personal wealth, the problems of gathering data are similar to those in the case of countries with market economies.

7. The methodology of gathering and compiling statistics of various balance-sheet items, especially in the case of fixed assets, has been the subject of consideration for a long time in the case of a number of countries using the MPS. The last few years have been marked by considerable international exchange of experience on this topic and by the establishment of a comprehensive methodology of statistics of national wealth. At its nineteenth session in 1972, the Statistical Commission of the CMEA adopted a document entitled "Basic methodological principles of the computation of the indicators of national wealth" (called the CMEA document in this paper), which summarizes experience in this field and lays down guidelines to assist in the further development of the statistics. This document is provisional in character; presumably, work on the methodology of statistics of national wealth will continue under the auspices of the Statistical Commission of the CMEA. The provisional document concentrates on the problems of measuring the wealth of a country as a whole; the balance sheets of the individual sectors of the economy have not yet been considered in detail.

8. The CMEA document is forward looking; in general, it goes beyond the present achievements in many of the countries with centrally planned economies. Nevertheless, in the case of certain elements of statistics of national wealth, the practical experience of some countries deals with elements of national wealth not yet covered in the guidelines. In this paper, therefore, use is made of the experiences of certain countries as well as of the guidelines of the CMEA document.

II. SCOPE OF NATIONAL WEALTH

9. A distinction should be drawn here between the scope of national wealth set out in the CMEA document, or proposed by various authors, and the assets that are already covered, in practice, in the case of various national publications.

A. Types of goods covered

10. According to the CMEA document national wealth includes:

(a) Material wealth (accumulated material production), that is fixed assets, stocks and consumer durables; and

(b) Net financial assets.

11. Natural resources are covered only to the extent that they incorporate human labour. Thus, included are the value of land improvement, afforestation, etc. but not the value of the land and forests as such. Subsoil assets are also excluded.

12. The concepts of national wealth employed by the various countries using the MPS coincide, in general, with the concept set out in the preceding paragraph. The only important exception appears to be the concept of national wealth used in Hungary; included there are certain natural resources, such as land, forests and subsoil assets, as well as resources incorporating human works. In other countries statistics are also available on the former items, but usually in physical terms only, and not in monetary values.

13. Comparison of the definition of national wealth in the CMEA document with that in the context of the SNA in document E/CN.3/460, reveals the differences set out below.

(a) Consumer durables are included in national wealth in the case of the MPS but not in the case of the SNA. It should, however, be noted that provision is made for a supplementary table on the durable goods of households in the proposals on balance sheets in the context of the SNA.

(b) Non-financial intangible assets, such as patents, copyrights, trademarks and leases are included in the scope of national wealth proposed in the case of the SNA but not in the case of the MPS. It should, however, be noted that these items are of relatively little importance in the case of countries with centrally planned economies.

(c) Land, forests, and subsoil assets, for example coal, oil and natural gas, and reserves of metallic and other minerals are covered in national wealth in the case of the proposals in respect of the SNA but not in the case of the CMEA document. There are, furthermore, certain differences in the scope of particular items of national wealth. This question will be dealt with in section IV below.

14. It is not feasible to determine from the descriptions of national wealth in the materials available on the countries using the MPS exactly how non-reproducible tangible assets, such as works of art and collections are treated. These assets are included in the proposed balance sheets of the SNA. It appears that in the case of countries with centrally planned economies these non-reproducible tangible assets are not covered in the concept of national wealth. Historic monuments are almost certainly not included in terms of monetary values.

15. The indicators of national wealth found in various national publications are, for practical reasons, narrower than the theoretical definitions in certain instances. For example, the Polish concept of national wealth used in actual computations covers fixed assets, stocks and, in the case of enterprises, financial assets and liabilities. Similar restrictions may also be found in the case of certain additional countries.

B. Other aspects of coverage

16. The concepts of national wealth used in the countries with centrally planned economies are usually defined in terms of ownership. In this connexion two remarks are in order.

(a) In some situations it may be difficult to decide which sector owns given assets. This question will be dealt with in paragraph 18 below.

(b) In both the CMEA document and the practice of a number of countries, two concepts of national wealth are used: (i) a territorial concept of national wealth, including stocks of assets which are within the boundaries of the country, irrespective of their ownership and (ii) a national concept of national wealth, covering all assets owned by resident units of a country, whether or not they are within the boundaries of the country.

III. SECTORS DISTINGUISHED IN STATISTICS OF NATIONAL WEALTH

17. The classification according to sector of ownership used by countries with centrally planned economies serves the same purpose, more or less, as the classification according to institutional sector in the SNA. The ownership sectors used in statistics of national wealth are practically the same as those used in the MPS itself. The document on national wealth of the Statistical Commission of the CMEA distinguishes the following sectors of ownership:

- (a) State ownership, which, for practical reasons, includes also assets owned by social organizations, such as trade unions;
- (b) Co-operative ownership;
- (c) Personal ownership in households;
- (d) Personal ownership in subsidiary plots, for example, of livestock;
- (e) Private ownership.

In the case of the state sector, some countries distinguish between (a) public enterprises, that is, units with market-oriented production, (b) institutions and social organizations and (c) the state budget.

18. In most cases classification according to sectors of ownership does not raise any special methodological problems; in general, the same principles are applied as those described in the document on the MPS.^{6/} Attention should however be drawn to the two problems of delimitation set out below.

(a) In the case of agricultural co-operatives, land is treated as an asset of the co-operatives and not as an asset of the members of the co-operatives. This is so even in countries where, from a legal standpoint, land remains the property of the individual members of the co-operative and the co-operative pays rent to its members, in proportion to the size and quality of the land they brought into it.

(b) Where a distinction is made between public enterprises and institutions, on the one hand, and the state budget, on the other, all assets in possession of the enterprises or institutions are considered to be owned by the enterprises or institutions, whether they were bought from their own resources or whether they were financed from the state budget.

19. The same types of statistical units are used in the case of statistics of national wealth as in the case of other parts of the balances of the national economy. In the economic sphere, the units are the enterprises; in countries with centrally planned economies, enterprises are, in most instances, more homogeneous in the kind of economic activities they carry on than enterprises in countries with market economies. The use of this type of statistical unit is advantageous for purposes of classifying stocks of assets according to kind of economic activity.

IV. CLASSIFICATIONS OF ASSETS AND LIABILITIES

20. The distinctions drawn between the main types of assets in the statistics of national wealth of countries using the MPS are similar to the classification of stocks of fixed and circulating assets proposed in section VI of document E/CN.3/460 in the case of balance sheets in the context of the SNA. There are, however, differences in content of certain categories; these differences reflect in most cases differences in concepts between the MPS and the SNA.

^{6/} Basic Principles of the System of Balances of the National Economy, op. cit.

A. Fixed assets

21. The definitions of fixed assets in the MPS and the SNA are similar, excepting construction projects, which are treated as stocks in the MPS and as fixed assets in the SNA. It should be noted that in a number of countries using the MPS, in-completed construction projects are shown as a separate item.

22. In the CMEA document on statistics of national wealth, fixed assets are classified according to the following categories: (a) buildings and other structures, (b) power equipment, (c) machinery, (d) transport equipment, (e) breeding stock, draught animals, dairy cattle and the like, (f) plantations, orchards, vineyards, (g) other fixed assets. In practice, this classification is sometimes even more detailed, for example, separate figures are given for residential buildings, non-residential buildings and other structures. In most, if not all, countries the various categories of fixed assets are cross-classified by kinds of economic activity.

B. Stocks

23. The definition of stocks (circulating assets) in the national wealth statistics of countries with centrally planned economies differs from that of the SNA in the manner set out below.

(a) Incompleted construction projects are included in stocks, and not in fixed capital, as in the SNA.

(b) Gold bullion and other monetary gold are included in stocks, and not in the financial assets, as in the SNA.

24. In the CMEA document stocks are classified according to the following categories: (a) materials and supplies, (b) work in progress, including incompleted construction, (c) finished goods, (d) livestock for slaughter and all other livestock except those considered to be fixed assets (see paragraph 22 above). Stocks are also often cross-classified according to kind of economic activity, or, failing that, stocks in the material sphere are distinguished from stocks in the non-material sphere.

C. Consumer durables in households

25. Though thus far only a few countries have compiled actual figures for consumer durables, the CMEA document on national wealth gives a detailed list of consumer goods which should be treated as assets in the use of households. Comparing this list with that in the supplementary table on stocks of consumer goods in document E/CN.3/460, it appears that the scope of the consumer goods in the case of national wealth of countries using the MPS is much wider. The basic criterion used in the CMEA document is the durability of household goods; generally speaking, all consumer goods which have a life of more than a year are included in national wealth. Thus, the CMEA document lists most articles of clothing, excepting children's, working and special clothing, stockings and certain other items, most types of footwear, books, gramophone records and a number of other articles which are excluded from the consumer durables listed in the supplementary table on stocks of consumer durables in document E/CN.3/460.

D. Financial assets and liabilities

26. The general principles concerning the inclusion of financial assets and liabilities in statistics of national wealth are, on the whole, similar in the case of countries using the MPS and in the case of countries using the SNA. There are, however certain differences in practice in the scope and classification of these items for two principal reasons.

27. One aspect of the differences stems from the fact that the recommendations of the CMEA focus on the wealth of the nation as a whole. Because the financial assets of units of the nation which are the liabilities of other units of the nation cancel out when consolidated data are compiled for the nation, they are generally not shown in the statistics of the wealth of the nation as a whole. However, these financial assets and liabilities are dealt with in more detail in the so-called financial statistics of each country using the MPS. These statistics are linked to, but not integrated with, the balance of the national economy. For the time being, there is no agreement in the CMEA on the content and methodology of the financial statistics in question.

28. Another aspect of the differences stems from the fact that certain financial assets and liabilities are much less important in the case of countries with centrally planned economies than in the case of countries with market economies. There are financial assets, such as corporate equities, which are very important in market economies, but which are practically non-existent in centrally-planned economies. That is why the classification of financial assets and liabilities is much less detailed in the case of countries using the MPS.

29. The CMEA document on statistics of national wealth only distinguishes currencies from other financial assets. In practice, in the financial statistics of a number of centrally-planned economies, the classification used is more detailed. Nevertheless, the most detailed classifications used in countries with centrally-planned economies are usually more condensed than those used in countries with market economies.

30. In the case of the differences in the scope of financial assets and liabilities between the CMEA document and the SNA, attention should be drawn to the points listed below.

(a) As is already indicated in paragraph 23 above, gold bullion and other monetary gold are considered to be financial assets in the SNA but stocks in the MPS.

(b) The net equity of households on life insurance reserves, which is included in financial assets (liabilities) in the SNA, is not covered in the assets of households and liabilities of insurance companies in the case of countries using the MPS. Transactions in life insurance are of very limited importance in the case of countries with centrally planned economies.

(c) The net equity of households on pension funds, an item of financial assets and liabilities in the SNA, does not appear among these assets and liabilities in the case of countries using the MPS. This is due to differences in institutions and in the treatment of pensions between countries using the SNA and countries using the MPS. Private pension funds exist in the former countries but not in the latter countries; all types of pensions paid out during a given period are considered to be income received during the period in the MPS but not in the SNA.

V. VALUATION

31. The general principles of valuation of assets and liabilities in countries using the MPS are the same as in countries using SNA. There are however certain differences between the two sets of countries which affect the application of these principles in practice. They arise from the circumstances outlined below.

(a) The main emphasis on the statistics of the stocks of tangible assets of the countries using the MPS is on their linkages with statistics of production, and not as much on their relationships to statistics of finances.

(b) In the case of the state and co-operative sector of these countries, the situation is more favourable for collecting data on the values of fixed and circulating assets than in the case of enterprises in countries with market economies.

32. As in the case of countries using the SNA market values at current replacement cost is the basic way in which countries with centrally planned economies value capital assets. In addition, in most, if not all, the latter countries, fixed assets are periodically valued at constant prices. Values at original cost are available in many cases but are rarely used for analytical purposes.

A. Fixed assets

33. A characteristic feature of the statistics on fixed assets of all countries with centrally-planned economies is the comprehensive inventories taken at about intervals of 10 years in which fixed assets are revalued at current replacement costs. Both the gross value, that is without deduction of depreciation, and the net values, that is after deduction of depreciation, are determined at replacement costs at the time of the inventories.

34. These revaluations at replacement costs are usually set in great detail, separately for each kind of fixed assets, based on comprehensive, specially prepared price lists consisting of several volumes. For certain types of machinery and equipment, the price lists give specific instructions, based on detailed specifications of characteristics. For other machinery and equipment, the price lists use less detailed specifications of selected characteristics, coupled with instructions as to how other characteristics may be taken into account in determining replacement cost. Buildings and structures are revalued on the basis of a number of physical characteristics, taking into account, in addition, a number of environmental circumstances which may influence replacement costs.

35. Detailed instructions are also given on how to determine values at replacement cost, net of depreciation. In general, in countries with centrally-planned economies, depreciation is calculated on a straight-line basis. When the net value of fixed assets is valued, the most common procedure is to adjust gross replacement cost in terms of the age of the given asset and its estimated life. There are, however, examples when the rate of depreciation is based on certain physical characteristics of the assets.^{7/}

36. One of the main objectives of the revaluation of fixed assets is to furnish a sound basis for measuring capital intensity of production and for calculating depreciation allowances. It should be noted that in the case of countries with centrally-planned economies, indicators, net of depreciation allowances (capital consumption), are more important in production statistics than in the case of countries with market economies.

37. Because between the periodic inventory revaluations, adjustments are not made in the statistics of national wealth for changes in replacement costs, fixed assets are valued at a price level often called "mixed valuation" in the balance sheets between these inventories. In these balances of national wealth the following procedures are used.

^{7/} There is, in countries with centrally-planned economies, a relatively rich literature on methods of revaluing fixed assets. In connexion with the last (1972) revaluation of fixed assets in the USSR, see, for example, articles in Vestnik Statistiki by G. Oveharenko (1969/10), A. Kochnev (1971/3), V. Malkina (1971/5), I. Belov and V. Orlov (1971/11), and N. Simak (1972/7).

(a) Fixed assets acquired before the last periodic revaluation are valued at replacement costs at the time of the last inventory.

(b) Fixed assets acquired since the last revaluation are valued at costs at the time of acquisition.

38. In most countries mixed valuation gives a relatively good approximation to replacement costs because prices of fixed assets, excepting residential buildings in the case of certain countries, are relatively stable over long intervals; and the introduction of major changes in the prices of fixed assets by government is usually accompanied by, or followed shortly thereafter by, the revaluation of fixed assets. In the case of substantial changes in the prices of certain groups of fixed assets, some countries have carried out revaluations limited to these capital goods.

B. Other assets and liabilities

39. Only limited information is available on the valuation of other assets.

40. It appears that the methods used for the valuation of stocks (material circulating assets) are the same as those proposed in document E/CN.3/460. Stocks acquired from outside are valued at purchasers' values, stocks produced within the unit are valued at producers' values, or in some cases at cost of production.

41. Assets owned by resident units which are outside the border of the country are valued at replacement cost in the country where such assets are located and then converted to national units at the official exchange rate.

42. Household durables are valued at replacement (acquisition) prices, less depreciation calculated in terms of the estimated life of those assets.

43. Many problems arise in countries with centrally-planned economies in the case of the valuation of land; the difficulties are due to the lack of transactions in land. The market prices of the few transactions which take place, for example, purchases of small plots for recreational purposes in holiday resorts, are not typical of the value of land in general. There is as yet relatively little experience on this topic as most countries have not included land in their balance sheets. The only known experience relates to Hungarian statistics on national wealth; there the value of land is estimated based on agricultural income and the ratio of land values to the value of agricultural production in 1938.^{8/}

44. Similar difficulties arise in the case of valuation of subsoil resources and timber tracts. In some of the countries, experiments have been made to measure these natural resources in terms of value.

45. Financial assets and liabilities are valued at their nominal (face) value. Those financial assets and liabilities which are expressed in foreign currencies are converted to national units at the official exchange rate. The types of assets for which other than nominal valuation might be appropriate, corporate equity securities, are practically non-existent in countries with centrally-planned economies.

^{8/} See J. Arvay "National Product, National Income, National Wealth" (in Hungarian), Budapest, 1973.

VI. LINKS BETWEEN STATISTICS OF NATIONAL WEALTH AND
OTHER ASPECTS OF THE BALANCE OF NATIONAL ECONOMY

46. Though the MPS has not been designed in the form of accounts and the description of the balances of the national economy is not accompanied by a conceptual matrix, there are strict relationships between the various parts (tables) of the system. Thus, statistics of national wealth are closely linked with statistics of national income, with the material and financial balances and with certain other parts of the system.

47. The CMEA document on national wealth shows this relationship through the linkages between changes in national wealth, on the one hand, and transactions and other factors, on the other. These transactions and other circumstances are listed below.

(a) Transactions on capital formation (the accumulation fund) consisting of (i) gross fixed capital formation, (ii) consumption of fixed capital, (iii) increases in stocks and (iv) losses.

(b) Transactions in consumption (the consumption fund) consisting of (i) purchase of household durables and (ii) depreciation of household durables.

(c) Other factors consisting of (i) revaluations and (ii) other adjustments.^{9/}

48. Comparing the above with the comparable proposals in document E/CN.3/460, reveals the differences that are enumerated below.

(a) The category of transactions "losses" in the MPS is a special item which is not isolated in the accounts of the SNA. The items included in "losses" in the MPS are in the SNA treated as intermediate consumption (losses in stocks due to accidental change), as consumption of fixed capital (losses in fixed assets due to accidental damage) or as capital losses (losses due to major calamities) in the proposed reconciliation accounts.^{10/}

(b) Transactions in respect of household durables are included among the MPS items but not among the SNA items proposed in document E/CN.3/460 because, as already mentioned, consumer durables are not included in the proposed concept of national wealth of the SNA; they are to be shown in a supplementary table only.

49. The same principles as are described in the CMEA document are applied in the methodology of the various countries using the MPS. The items are subdivided somewhat differently in the case of some countries. In the case of Poland, for example, transfer from fixed assets to stocks, "reclassification" is a separate item. In the case of Hungary, the increase of national wealth in tangible assets is obtained by combining the following constituent items: gross capital formation minus consumption of fixed capital and capital losses plus or minus, as appropriate, revaluations, changes in stocks of natural resources, reclassifications and adjustments, and changes in stocks of consumer durables in households.^{11/}

^{9/} The term used in the CMEA document is "changes" and not "adjustments". However, in order to facilitate the comparison with the corresponding SNA items, the terminology has been slightly modified.

^{10/} For further details concerning this problem see "Conceptual relationship between the revised SNA and MPS", E/CN.3/397/Rev.1, paragraph 71.

^{11/} See J. Arway, *op. cit.*, pp. 301-304.

