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Working Package 3: A new national accounts architecture (T3)

Day 2: Working group 1

**Towards a logical and methodological scheme to
answer the Stiglitz-Sen-Fitoussi recommendations**

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Issues discussed

- **What is the society responsible for?**
- **Which are the fundamental requirements of the SSF Report concerning the new national accounts necessity?**
- **How the current SNA fits the SSF Report requirements?**
- **What about the principles to guide answering the SSF Report?**
- **What about the logic to answer the SSF Report?**
- **Suggestions on needed research (FP8 - 2014-2020) in the matter of general methodology to rebuild the SNA**
- **Expected feed-backs aimed at improving the final Report**



What is the society responsible for?

- **The society has to achieve *four* fundamental missions concerning the individuals:**
 - ensuring the **efficiency** of using resources (of any kind, but primarily the human resource, i.e., we are here the employment issue)
 - asymptotical propensity to Pareto optimum, concerning the economic wellbeing
 - **NB:** because the public goods occurrence, only the government can achieve (or, at least, can come near to) the Pareto optimum
 - delivering the **social justice**
 - final distribution of the societal outcomes (of any kind) to individuals must be based on the fairness
 - **NB:** fairness means: 1) primary distribution: by merit; 2) redistribution: by non-imputable non-merit (i.e., one who hasn't merit is not responsible for this situation)
 - building up the **individual well-being**
 - institutionally implementing a principles grid aimed to produce and reproduce the social capital (all of the six kinds known of the social capital)
 - **NB:** this is a transversal mission (i.e., it is working intra-generationally)
 - providing the **sustainability** of the societal dynamics as a whole
 - all societal inputs have to be reproduced by societal outputs themselves (early or later)
 - **NB:** this is a longitudinal mission (i.e., it is working inter-generationally)

Which are the fundamental requirements of the SSF Report?



- From the point of view of new national accounts, SSF Report contains the following conceptual and methodological suggestions (recommendations):
 - about the individual well-being (IW):
 - (IW-1) the non-market production and consumption are important (ex: households production and auto-consumption)
 - (IW-2) not only the income and consumption generate the IW perception, but also the wealth
 - (IW-3) subjective perception of the IW is conditioned by the objective sources of the IW
 - about the social progress (at the societal level) (SP):
 - (SP-1) not only the production (GDP) is relevant for the social progress, but also its distribution (i.e., transferring of the production into income, consumption and wealth)
 - (SP-2) economic and unfair inequalities (see here the Rawls' concept of fairness) is a source of adjusting the IW perception
 - about the sustainability of economic process (S):
 - (S-1) all economic flows must reproduce, ultimately (of last resort), the economic stocks involved, both as nature, quality, and potentiality
 - (S-2) the natural environment is the hard (physical) basis of the sustainability, while the IW is the soft (cultural) basis of the sustainability

How the current SNA fits the SSF Report requirements?



		Working NAs		New necessary NAs			
		In force NAs	In processing NAs				
		<i>Economic (2008)</i>	<i>Environment (ESEA2008)</i>	<i>Non-market activity</i>	<i>Sustainability</i>	<i>Social progress</i>	<i>Individual well-being</i>
IW-	1						
	2						
	3						
SP-	1						
	2						
S-	1						
	2						

What about the principles to guide answering the SSF Report? (1/5)

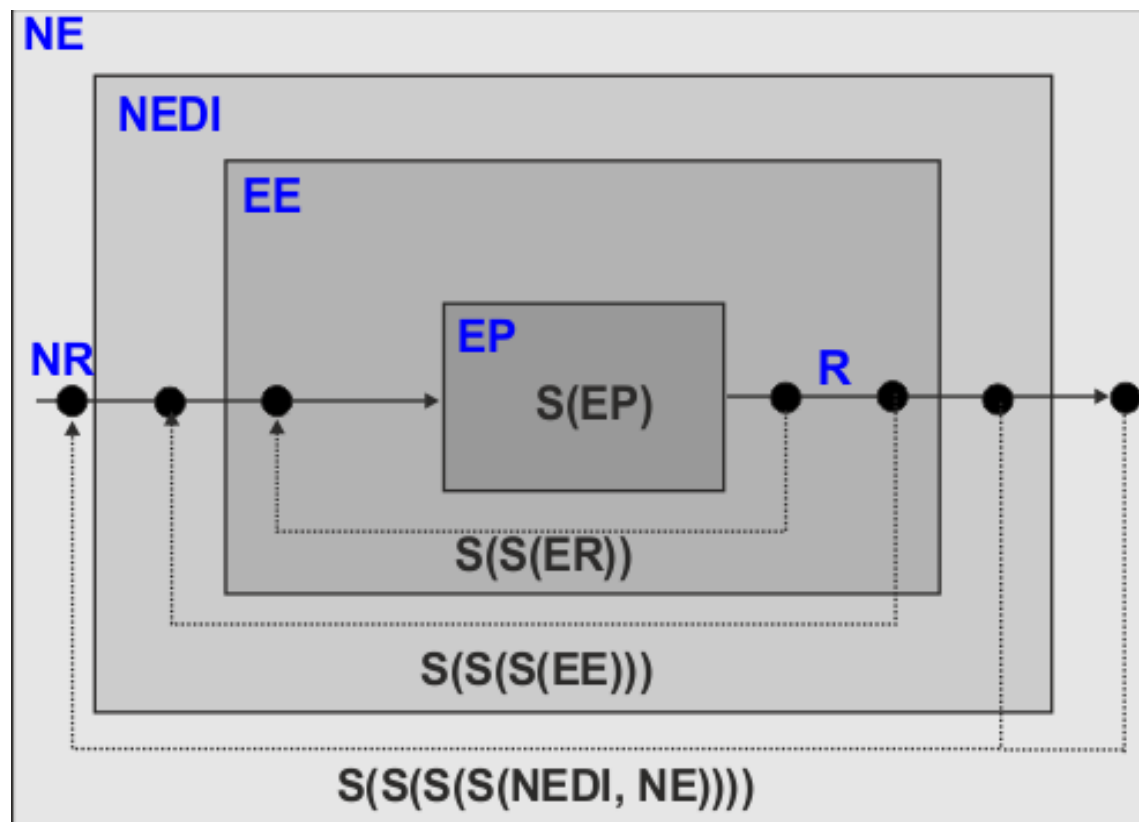


- **Three crucial principles seems to arise from the SSF Report and the connected literature in the matter of new national accounts treatment:**
 - **(1) the registration of the general anthropic impact on the natural environment (and conversely) must be made according the proximity degree as against the anthropic activity**
 - because the effects become causes for the zones of lesser proximity degree (i.e. further from the anthropic activity)
 - because the measuring possibility of the anthropic activity is directly proportional with the proximity degree of the impact zone
 - **(2) the final purpose of the economic activity is the individual well-being (IW)**
 - however, the IW cannot be quantified (measured) because its subjective determination (the IW is simply a subjective perception and evaluation, depending on the individual
 - but, the IW is potentially ensured by ensuring the social progress (SP), as objective (i.e., measurable) item
 - **(3) the final purpose achievement must be sustainable (S), i.e.:**
 - (a) must be irreversible
 - (b) must be designed on long term
 - (c) must be reproducible as such

What about the principles to guide answering the SSF Report? (2/5)



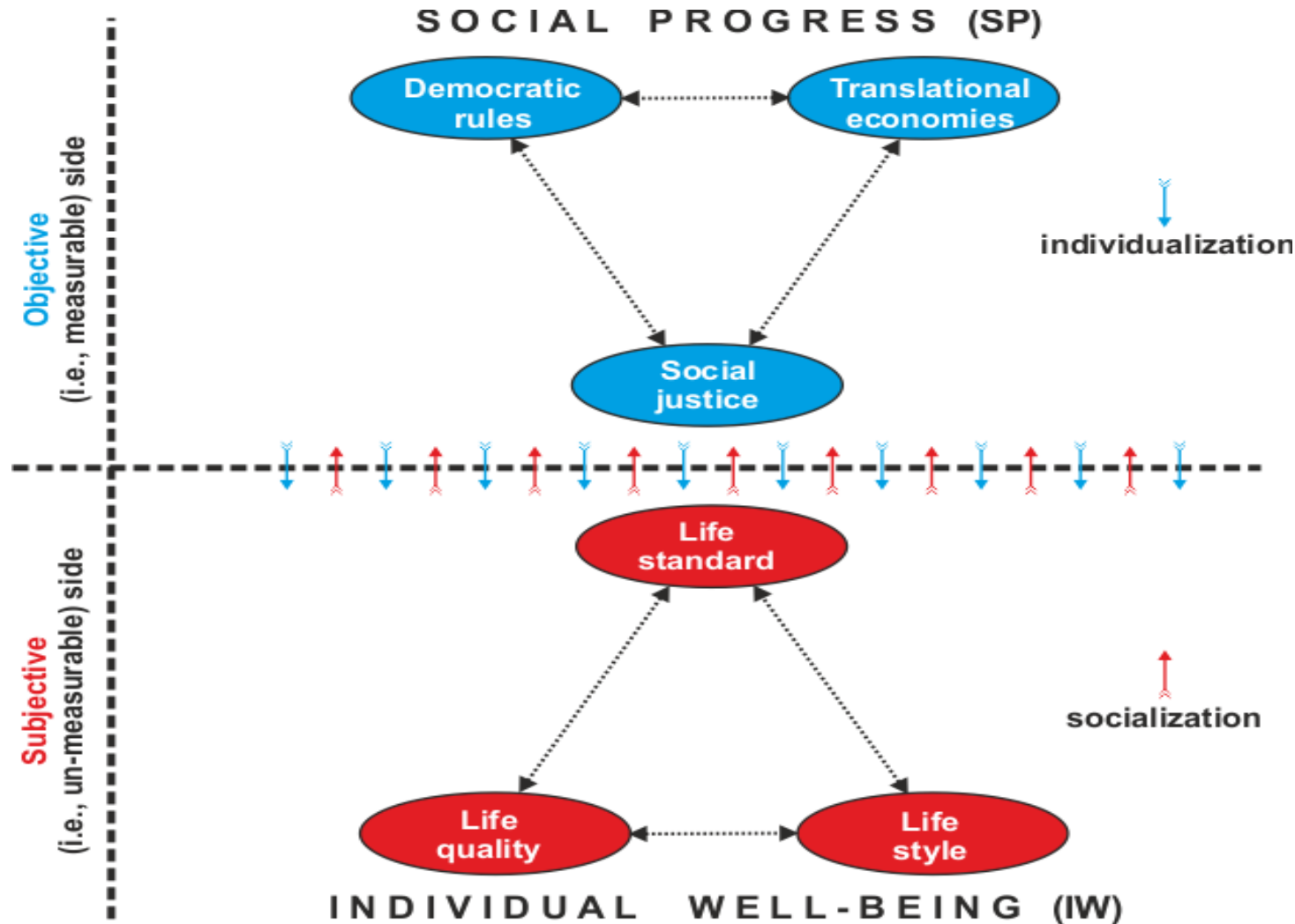
- On the principle (1), where:
 - **NE**: natural environment; **NEDI**: natural environment directly receiving the economic impact;
 - EE**: economic activity; **EP**: economic process; **ER**: economic resource; **NR**: natural resource



What about the principles to guide answering the SSF Report? (3/5)



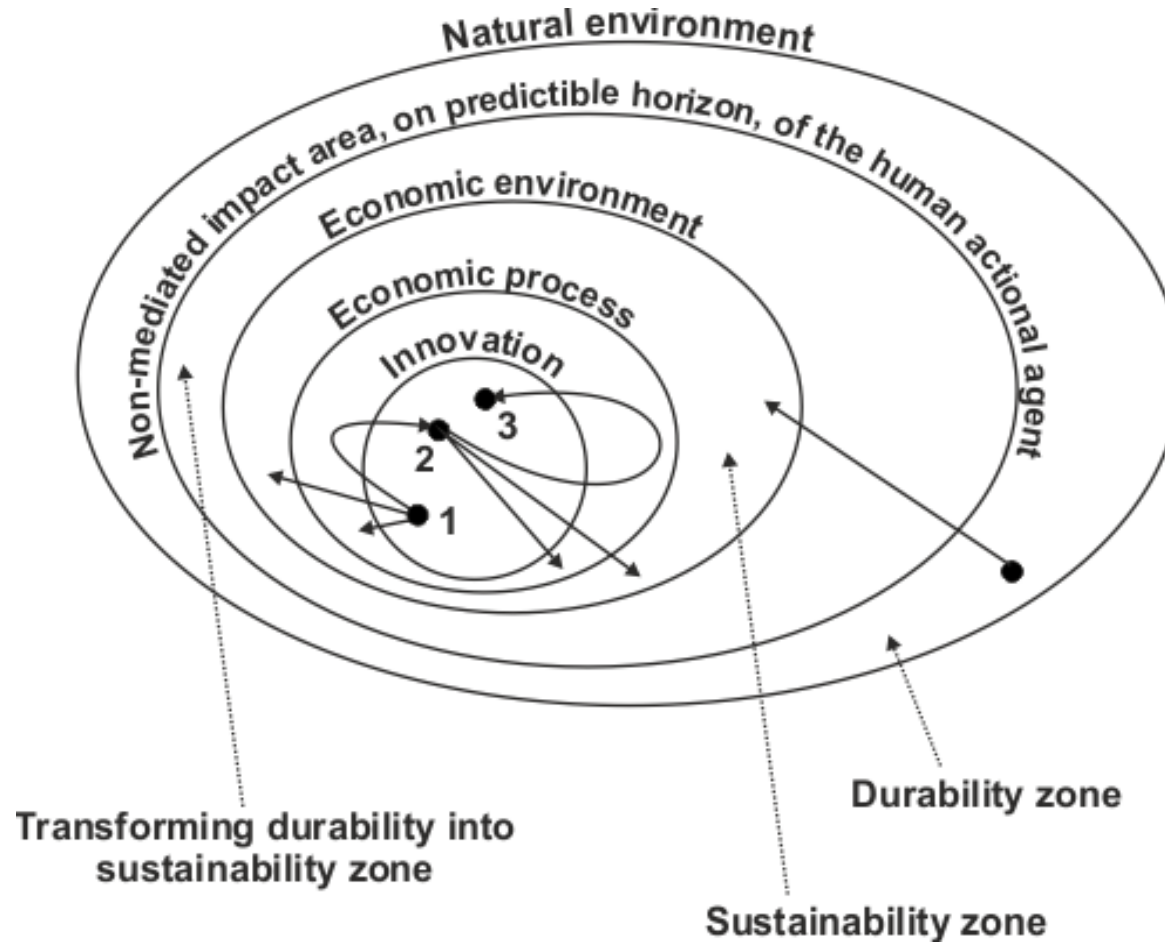
- On the principle (2)



What about the principles to guide answering the SSF Report? (4/5)



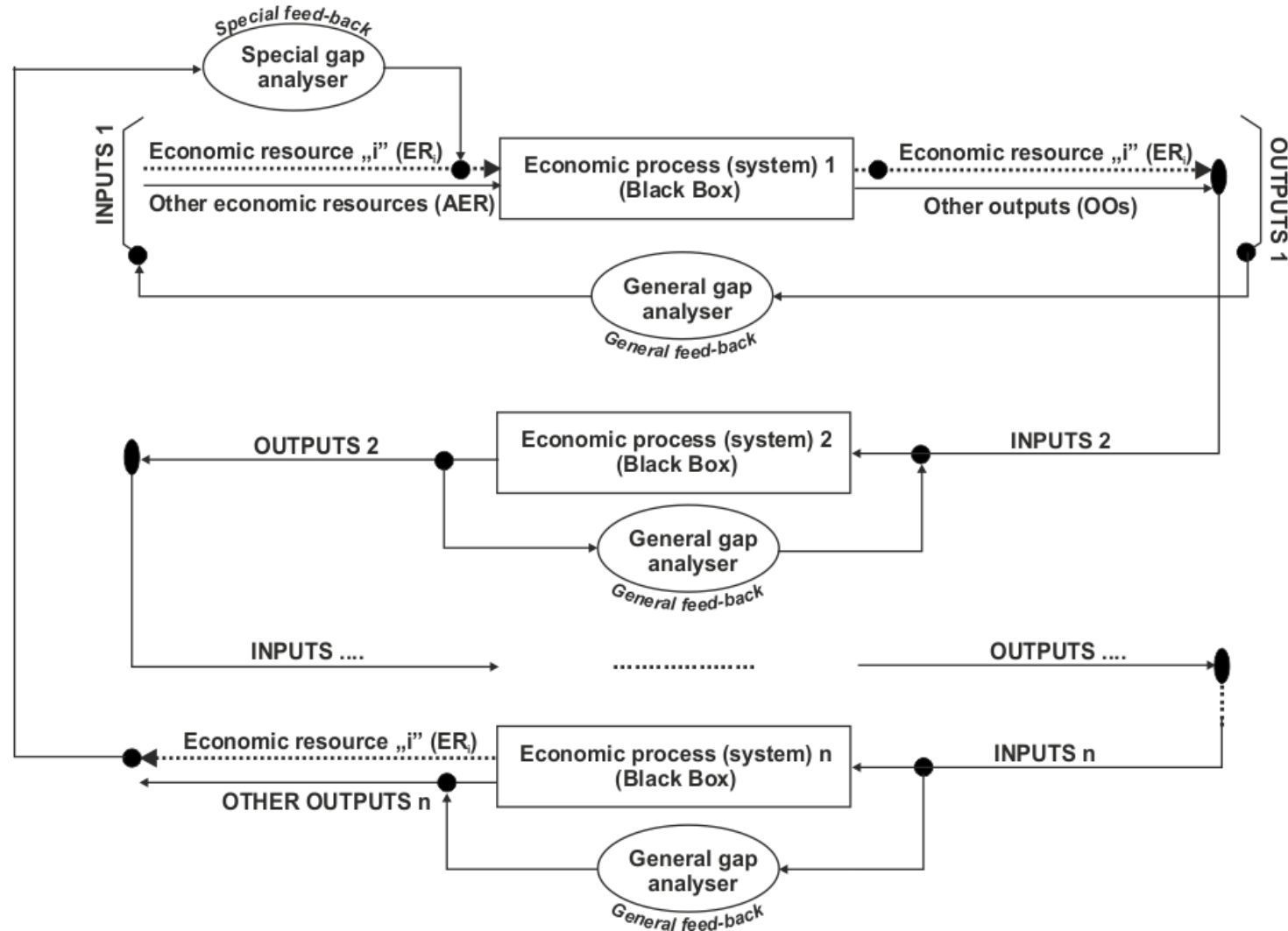
- On the principle (3): structural diagram



What about the principles to guide answering the SSF Report? (5/5)



- On the principle (3): functional diagram





What about the logic to answer the SSF Report? (1/3)

- The Q&A pairs logic in answer the SSF Report seems to be the following:
 - about the finality of the economic process (pair of teleological kind)
 - pair 1:
 - (Q1) Cui prodest, the economic outcomes (outputs & spillovers)?
 - (A1) To reach the individual well-being (IW)
 - pair 2:
 - (Q2) How the IW is implemented?
 - (A2) Through the social progress (SP) implementing
 - about the completeness of observing and registering the economic process
 - pair 3:
 - (Q3) Which is the ultimate (of last resort) objective basis for performing the economic activity?
 - (A3) The natural environment
 - pair 4:
 - (Q4) Which is the ultimate (of last resort) subjective basis for assessing the economic activity
 - (A4) The social justice (the fairness, i.e., the economic distribution by merit)



What about the logic to answer the SSF Report? (2/3)

- about the accuracy of measuring the economic outcomes
 - [pair 5:](#)
 - **(Q5)** How could be completed the monetary flows and stocks of the economic outcomes?
 - **(A5)** By estimating the non-market contribution to the economic outcomes
 - [pair 6:](#)
 - **(Q6)** How could be estimated the non-market contribution to the economic outcomes?
 - **(A6)** By estimating the gap between the economic global needs and the economic global market demand
- about the perpetuity of the anthropic (economic) activity
 - [pair 7:](#)
 - **(Q7)** How could we ensure the inter-generational justice about the economic activity?
 - **(A7)** By implementing an institutional mechanism of economic activity sustainability
 - [pair 8:](#)
 - **(Q8)** How could we ensure the economic activity sustainability?
 - **(A8)** By implementing the viability paradigm of anthropic activity (adaptation of our needs and values to the natural and social environment constraints)

What about the logic to answer the SSF Report? (3/3)



- about the common (i.e., cvasi-measurable) spillovers injections into the society
 - [pair 9](#):
 - **(Q9)** Are there immanent, un-intentionally advantages concerning the life quality?
 - **(A9)** Yes, the positive externalities injected into the society by both the state and the private persons
 - [pair 10](#):
 - **(Q10)** Are there immanent, un-intentionally disadvantages concerning the life quality?
 - **(A10)** Yes, the negative externalities injected into the society by both the state and the private persons

Suggestions on needed research (**FP8** - 2014-2020) in the matter of general methodology to rebuild the SNA



- **(1) Measuring the non-market economic outcomes. A conceptual and methodological approach over the EU28**
- **(2) Positive and negative private externalities. Identification and estimating procedure**
- **(3) Thresholds in economic distribution and redistribution aimed at ensuring the sustainability from the demand side**
- **(4) Institutional grid ensuring the capturing of social progress basic components**
- **(5) Transmission mechanisms from the life standard to life quality and life style in European societies**



Expected feed-backs aimed at improving the final Report

- **How could we monetarily measure the non-market economy?**
 - **for example**: a way provided by the dedicated literature is the replacing of the price by the value; but, in this case, how about the utility functions? Could we find a common utility function for individuals?
- **A source of well-being is the distribution by merit. But, what should we understand by the concept of „merit“?**
 - **for example**: an unfair requited distribution can be assessed as infringing the merit principle; but, an unfair non-requited distribution (from individuals to a tennis player) must also be assessed as infringing the merit principle or not?
- **Is really the irreversibility of processes a sufficient condition for the sustainability?**
 - **for example**: if yes, what about the cycles (which can be, also, sustainable)?



THANK YOU
FOR
ATTENTION