

# International Conference on *Economic Measurement* 2019

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In partnership with the UK Office for National Statistics (ONS), the Economic Statistics Centre of Excellence (ESCoE)<sup>2</sup> held its annual conference on Economic measurement at King's College London from 8<sup>th</sup> to 10<sup>th</sup> May 2019.<sup>3</sup> The conference provided an exceptional opportunity to bring together data producers, users and scholars, to discuss thoroughly the topical issues. The conference was attended by nearly three hundred of scholars, researchers, students and compilers presenting and discussing new findings, experimental calculations and bringing new ideas.

After the welcome speech delivered by John Pullinger (ONS), the conference carried on with the contribution of Vasco Carvalho (University of Cambridge) on the linkage between micro- and macrodata within the framework of input-output tables stressing a potential of data to depict the impact of idiosyncratic shocks on aggregate volatility as well as to explain pattern of knowledge diffusion. The conference was further divided into a number of the theme-oriented parallel sessions.

However, it is worth starting with the panel discussion, which took place on the second day of the conference, and which targeted the key priorities for the new SNA-manual. At the very beginning of the session, chaired by Peter Van De Ven (OECD), three main priorities as defined by expert groups were specified – digitalization, globalisation, and sustainability of well-being. Beyond that, the discussants in the panel further highlighted the importance of the ownership definition, the location of economic activities, or valuation of human capital.

As the statistical community is well aware of the urgency of tackling these issues, the overall focus of the conference was shaped accordingly. In the section devoted to *Capital*, the current definition on asset boundary was challenged. Branding, innovative financial products, social and human capital and others forms of intangible assets constituting an important input into production function in any economy were suggested as important contributions to the stock of capital, however, currently unrecognized as they go beyond the current definition of assets. This issue will undoubtedly be further a subject of intensive debates in the statistical community.

Two sessions were devoted to GDP (*"GDP and beyond"*). Two key issues addressed were the relation of GDP to well-being of citizens and an extension of production boundary especially in reaction to the ongoing technological changes. One of the key contributions pointed to the technological progress bringing statistics to a situation in which *"free digital goods are everywhere, except the national accounts."* So-called digital age gave rise to completely new forms of intangible assets from which both consumers and companies benefit. As put as an example, consumers can give a licence to a company to use his personal

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<sup>2</sup> The Economic Statistics Centre of Excellence is an independent research centre operating in the United Kingdom which was established in 2017. Its mission is to promote collaboration between academia, the research community and data compilers.

<sup>3</sup> The webpage: <<https://www.escoe.ac.uk/escoe-conference-economic-measurement-2019>>.

data in exchange for digital service provided (advertising, information, etc.). Such, in principle, barter transactions pose a challenge for compilers to capture the value-creating process in a comprehensive way.

A very innovative approach to the compilation of GDP was presented by Kevin Fox from the University of South Wales. His contribution addressed the occurrence of new products and the inclusion of free goods, such as Facebook, in GDP. Concerning the deflation issue, the authors' alternative approach is rooted in microeconomics theory, using the reservation prices of the previous products in Hicksian terms, i.e. the price at which consumers are willing to give up completely a previously existing product. Applying this new approach and by inclusion of the value of free products, the authors arrived at an alternative "GDP-B".<sup>4</sup>

Concerning the relation of GDP to well-being, there is an overall awareness that GDP is a measure of output and it does not necessarily provide users with the idea on the evolution of well-being. Knowing that, discussants argued rather in the favour of use of disposable income which does not cover all the factors influencing well-being, but it may be realistically considered as better approximation of well-being. In the framework of the discussion, the representative of the Statistics Netherlands presented estimations on well-being in the Netherlands. The publication "*Monitor of well-being: a broader picture*" is publicly available on the webpage of Centraal Bureau voor de Statistiek <[www.cbs.nl](http://www.cbs.nl)>.

Changing technological environment was discussed in two aspects, in general: firstly, the valuation of the product of information and communications technologies; secondly, the exploitation of newly occurring data sources. Concerning the former, Dr. David Nguyen from The National Institute of Economic and Social Research delivered interesting presentation "*Cloud computing and national accounting*". This research deals with the effects of the cloud computing on macroeconomic statistics. Here we are referring to the companies such as Dropbox, Google Cloud Platform, Amazon Web service and many other providers who enabled to turn investment in fixed capital (e.g. servers) into operating expenses, i.e. into payment for service. This, technically speaking, detachment of computing processes and data itself influence many statistical areas like trade statistics, productivity estimations, not least price statistics as the quality of those services is dramatically evolving.<sup>5</sup>

Broad attention was paid to new data sources such as web scrapping, scanner data, measuring retail trade using card transactional data or use of VAT for short-term economic indicators. This subject is logically highly topical as changing technological environment noticeably extends the range of data sources usable for the compilation of macroeconomic statistics. In the context of this issue, Alberto Cavallo, the Associate Professor at Harvard Business School, presented his research on the price dynamics across countries and market segments and discusses the pros and cons of the use of scanner data.<sup>6</sup>

The last of the SNA-priorities not yet mentioned, i.e. globalisation, was obviously addressed by many presenters at least implicitly as this general trend affects practically all statistical areas. Among many others, in the section *Trade*, researchers presented their findings on the effect of the growing specialization and fragmentation of production process across countries, which has been also gaining a growing political interest. We could mention, among others, the study on the involvement of UK regions in the network of global value chains and the discussion of a potential impact of Brexit on particular regions in the UK.

To conclude, the Conference on Economic Measurement organized by the ESCoE creates an exceptional and indeed a unique platform where key players in the field of statistics can hold open debates on topical or even controversial statistical issues and exchange their views and experience. The conference, the selection of topics and lively debates have just demonstrated how economic life has been dramatically changing and statistics shall strive to keep up with times to offer figures of satisfactory explanatory power.

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<sup>4</sup> The paper was published by the NBER and it is online available at: <<https://www.nber.org/papers/w25695>>.

<sup>5</sup> Discussion paper "Cloud computing and national accounts" is available on the webpage: <[www.escoe.ac.uk](http://www.escoe.ac.uk)>.

<sup>6</sup> Research papers are available on the webpage "The Billion Prices Project" <<http://www.thebillionpricesproject.com>>.