

## **Discussion comments on session IPM84: Measures of flows and stocks in financial accounts**

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Since the topics of the four papers in this session are so wide-ranging, I will try to relate them to each other as much as possible, and to pinpoint certain common issues. The best starting point for this purpose is the first paper, “Money, financial investment and financing”, which proposes a “three-dimensional framework” – ie a breakdown of various financial transactions by financial sectors, assets and liabilities. In addition to the monetary analysis proposed by the author, the framework can be applied to analysis of financial accounts more broadly. However, the most important problem with the proposed framework would be the difficulty of collecting the huge amount of data needed. The other three papers can be seen as addressing this difficulty from different points of view.

The second paper, “Borrowed securities: implications for measuring cross-border portfolio investment”, points out the difficulty of measuring investors’ securities holdings. The author argues that, given the very common practice of lending and short-selling securities, double counting of securities holdings could easily occur, leading to overestimation of holding positions on a macro level. If these overstated figures are put into the “three-dimensional framework”, they will cause significant inconsistencies. The author argues for enhancing data collection to avoid double counting. Although I fully agree that additional data would improve the accuracy of statistics, it is questionable whether such an increase in reporting burdens would be accepted.

The third and fourth papers deal with a very similar topic: how to measure the value of shares or equities of small to medium-sized firms. Since such firms continue to play a significant role in many economies, it is very important that the value of their shares or equities be measured accurately for purposes of the “three-dimensional framework”. These two papers, however, take totally different approaches to the problem.

The third paper, “Measuring the market value of shares and other equity: from sample to population”, attempts to make full use of the existing sources of corporate data and find the best way of estimating the total population figures. The paper’s main argument is that, although each database alone is quite limited in the number or nature of its samples, combining them properly can be a very plausible way of estimating the total population. Since the data collected from firms tend to be reasonably reliable and stable, it may not be surprising that making full use of them leads to improved estimations.

Taking a different approach, the fourth paper, “Measuring the value of micro-enterprises in financial accounts”, looks beyond corporate data for sources to use in making estimates. The authors propose three methods, two of which use data from household surveys. The basic idea of the method is to ask households the value of shares of micro-enterprises that they own, and to extrapolate from that a value for the total population. This procedure entails certain risks. Households’ valuation of shares may not be as accurate as the assessments by the firms themselves, or by financial institutions. The figures obtained from household surveys tend to be somewhat volatile or unstable. Changes in samples often lead to drastic changes in survey results. Hence, the authors would be well advised to apply the same method to years other than those reported in the paper, and ascertain whether the method can be expected to produce sufficiently stable figures.

Finally, to return to my starting point – the difficulties of collecting the data called for by the “three-dimensional framework” for financial analysis – I would point out that the topics addressed in these three papers represent only some of the difficulties. A large area still remains for future research.