

Measuring National Wealth in a Global World - Is It Time to Raise the White Flag?

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Measures of national wealth are based on the assumption of their being an observable and measurable national asset base which can be translated into a national balance sheet - an idea that assets and liabilities have an intrinsic nationality and a land to which they belong. Throughout history this has never been the case. Ownership of assets and liabilities has always transcended and ignored national boundaries whether that be empire building, colonisation, establishment of foreign subsidiaries, ownership of property abroad or offshoring of assets and sometimes entire businesses.

In the modern globalised economy, the concept of an observable and measurable national asset base is increasingly opaque. The ever increasing mobility of capital and assets means that wealth has long since been a national concept. Yet despite this, statisticians persist with the task of attempting to measure national wealth and compile national balance sheets.

The Netherlands is a prime example of a nation with a national balance sheet that, both on the asset and liability side, stretches around the entire world such that identification of the national asset base and measurement of the national balance sheet is fraught with challenges.

This paper will set-out the issues faced by Statistics Netherlands in compiling a national balance sheet, illustrate these with real world examples and explain how these issues have been overcome or not. In doing so it will highlight the challenge that statistical compilers have in trying to fit national measures to global concepts. The ultimate aim of the paper is to promote broader discussion of the continued usefulness of the current measures of national wealth in a global world. The question under investigation is: When the national asset base is so fluid, and changeable at the stroke of an accountant's or lawyer's pen, has the time come to raise the white flag and admit that national measures of wealth are no longer practical or relevant?

Issues to be examined include:

- Economic territory identification - where does the national boundary extend to?
- Identifying economic ownership of assets and the issues of relying solely on the concept of

legal ownership

- Residence issues of asset owning SPEs that resemble quasi corporations
- Dealing with those units undertaking passing through flows
- Valuation of quoted and unquoted shares