In response to the common queries regarding the concepts of national income statistics, the following questions and answers are prepared for teachers’ reference.

1. What are the roles of economists in developing the concepts of national income statistics?

✧ Economists are the major users of NI statistics; their views are important in developing the concepts of National Income Statistics.

✧ In fact, National Income Statistics were first initiated under the influence of renowned economist J.M. Keynes in response to the information gap revealed by the Great Depression in 1930s.

✧ National income statistics are used by economists and policy makers worldwide for the formulation of economic policies, such as monetary and fiscal policies.

✧ System of National Accounts (SNA) 2008 is the latest international guidelines for compiling NI statistics. The design and structure of SNA draws heavily on economic theory and principles.

✧ Some quotes by important economists in the present time on the importance of GDP (source: the article “GDP: One of the Great Inventions of the 20th Century” published in the January issue of the “Survey of Current Business” by Bureau of Economic Analysis of the USA)

    - “Information is fundamental to understanding all human endeavor. The national income accounts, and the data they use and produce, are our core economic information. While they can – and with adequate human, financial, and organizational resources, will – be continually improved; without them we would be in economic dark ages.”

    by Michael J. Boskin and T.M. Friedman,
    Professor of Economics, Stanford University
    Senior Fellow, Hoover Institution
    Former Chair, Council of Economic Advisors”

    - “The national income and product accounts are among the major
contributions of this century to economic knowledge.”
by Robert Eisner
Former President, American Economic Association

2. What is the meaning of GDP?
The meaning of GDP could be described differently with respect to the different approaches from which it is measured.

- The meaning of GDP under expenditure approach
  - GDP is the total value of goods and services produced for final use, net of their import content, i.e. GDP = C+I+G+X-M. Definition of final use: those goods and services used by households (C), government (G), investment (I) and exports (X).

  - To calculate GDP by expenditure approach, one has to distinguish between final use and intermediate use of goods and services. For example, flour bought by households is final goods and should be included in C, but flour bought by bakery is intermediate goods and should not be included in C.

- The meaning of GDP under production approach
  - GDP is a measure of the total value added of all resident producing units of a country or territory in a specified period, before deducting allowance for consumption of fixed capital. Value added is given by value of outputs (e.g. value of clothing produced by a factory) less the value of intermediate consumption (e.g. electricity, rentals, textile).

  - The GDP of an economy includes (a) the value added of goods and services produced for final uses (e.g. restaurant services consumed by households) and (b) the value added of goods and services produced for intermediate uses (e.g. accounting services consumed by firms) as well. (In other words, it is not correct to say that GDP by production approach include only final goods.)

  - The problem of classifying goods and services between final use and intermediate use does not arise under the production approach because of its use of the ‘value added’ concept, under which the part of value of a producing unit’s output attributable to other producers is excluded.
The meaning of GDP under income approach
- GDP is calculated as the sum of incomes for the factors of production (labour, capital and entrepreneurship) distributed by the resident producing units in a country or territory, as rewards to their production of goods and provision of services.
- It is **not** correct to say that GDP by income approach include only income from production of only final goods and services.

3. **What are the concept regarding ‘Gross National Product (GNP) under SNA 2008?’**
- In 2008 SNA, GNP is an **income concept** while GDP is a production concept.
- Since GNP is not a production concept, GNP at factor cost is not well defined and hence is not included in 2008 SNA.

Some economies (e.g. UK, Australia) use the term Gross National Income (GNI) instead of GNP to emphasize the fact that GNI is an income concept.