is associated with production and consumption of goods and services.

Expenditure Method : It is sum of all expenditures by various economic agents on the goods and services produced by an economy.

Finished Product : It is that part of total production of an economy which is meant for either final consumption on the part of households, government exports, or for capital accumulation purposes.

Factor Incomes : These are incomes distributed to suppliers of factor services (labour, land, capital and enterprise) for work done over a year in an economy.

Gross Value Added at mp : It is the market value of output of an enterprise minus intermediate consumption.

Mixed Income of Self-employed : It is factor income (compensation of employees plus operating surplus) generated by self-employed.

Gross Value Added at factor cost : It is gross value added at market price minus net indirect taxes paid by a producing unit.

Income Method : It is sum of factor incomes currently generated, which is used along with net factor income from abroad to arrive at national income of an economy.

Intermediate Inputs : Inputs employed by a firm in the process of production, which is bought from other firms or producing units.

Industrial Sectors : Sectors, which are identified for the purposes of measuring national income of an economy.

Imputed Rent : It is the value of rent worked out for owner-occupied dwellings.

Intermediate Consumption : It is the value of inputs used by a producing unit.

Net Factor Income from abroad : The factor income (compensation of employees and property and entrepreneurial income) received from abroad by normal residents of an economy minus such factor incomes paid to normal residents of foreign countries.

Net Value Added at Factor Cost : It is gross value added at factor cost minus depreciation allowance.

Net Value Added at Market Price : It is net value added at factor cost plus net indirect taxes.

Non-Durable Goods : These are the goods, which can be used only once.

Net Exports : It is value of exports minus value of imports of an economy.

Output : It can be physical units of a commodity produced by a producing unit or it can be physical units of a commodity multiplied by its price over a year.

Owner-Occupied Dwellings: These are the houses, which are occupied by their owners.

Own-Account Production : It is the production of goods or services by self-employed households or institutions.

Operating Surplus : It is the factor incomes consisting of rent, interest and profits arising out of ownership and management of capital.

Primary Sector : This is a sector, which consists of agriculture, forestry and logging, fishing, mining and quarrying.

Secondary Sector : This is a sector, which consists of manufacturing (registered and unregistered) and electricity, gas and water supply.

Tertiary Sector : This is a sector which consists of trade, hotels and restaurants, transport, storage and communication, financing, insurance, real estate and business services and community, social and personal services.

Transfer Incomes : These are the incomes, which do not arise on account of factor services; they are incomes transferred from one sector to another or transferred from one unit to another within a sector. They are not included in national income of an economy.

14.6 SOME USEFUL BOOKS

C.S.O, *National Accounts Statistics*, (Latest), Ministry of Planning, Government of India, New Delhi

Hicks J.R., M. Mukherjee and S.K. Ghosh, 1984, *The Framework of the Indian Economy - An Introduction to Economics*, OUP, Delhi (Chapters 11, 12, 13)

C.S.O, *National Accounts Statistics* - Sources and Methods, Ministry of Planning, Government of India, New Delhi, April, 1989.

14.7 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) a) Gross Investment - depreciation (or consumption of fixed capital) = Net Investment.

   b) Net Factor Income from abroad = Net compensation of employees from abroad + net property and entrepreneurial income from abroad.

   Net exports = Value of exports - value of imports.

   c) Gross national product - depreciation = Net national product.

   d) Gross domestic product - depreciation = Net domestic product

2) Various constituents of net factor income from abroad are:

   1) compensation of employees from abroad.

   2) property and entrepreneurial income from abroad.

   3) net retained earnings of resident companies abroad. Net factor income from abroad can be negative when factor income from abroad is less than factor income paid to the rest of the world.

3) a) GDP at MP = Sum of gross value added at market price of all the producing units of an economy.

   b) GDP at mp = Compensation of employees + operating surplus

   + mixed income of self-employed + net indirect taxes

   + net factor income from abroad + depreciation.

   c) GDP at mp = final consumption expenditure of households

   + final consumption expenditure of government

   + gross domestic capital formation + exports - imports.

Check Your Progress 2

1) Agriculture and allied activities of fishing, mining and quarrying and logging.

2) a) Identify the crops.

   b) For each crop find out area under cultivation.

   (c) Multiply (b) by yield per hectare.

   d) Multiply (c) by average price.

   e) From (d) subtract the intermediate cost of agriculture and allied activities.

   f) With (e) add the value of operation of irrigation systems.

   g) From (f) deduct consumption of fixed capital.

   h) The figure arrived at (g) will be the net value added of agricultural sectors.

3) Conceptual difficulties relate to :

   a) absence of an agreed definition of national income;

   b) difference between final goods and intermediate goods;

   (c) transfer payments;

   d) services rendered without remuneration etc.;

   e) consumer durables etc.

   Statistical difficulties consist of :

   a) inadequate and unreliable data,

   b) non-monetised sector,

   c) production for self-consumption,

   d) illiteracy and ignorance,

   e) lack of occupational classification,

   f) value of a new good at constant prices,

   g) consumption of fixed capital estimation.

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Fundamentals of Economics

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6

MACROECONOMICS AGGREGATES

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BLOCK 6 MACROECONOMICS AGGREGATES

Introduction

After going through blocks, 1 to 5, which deal with micro-economic insights of economic theory, the learner is exposed to macro economic concepts through Block-6. Basically, an attempt is made to show that at the aggregate level, the income of the nation can be seen to have generated by interrelationships between various economic activities. **Unit 13** depicts the national income as a result of circular flow of aggregate income and expenditure. The remaining unit of the block, i.e., **Unit 14** accounts for the method followed for measuring the national income.