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Research Article

THE STRUCTURES OF NIGERIA INDUSTRIAL ECONOMY AND CIRCULAR FLOW INCOME

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ABSTRACT

The paper focus on the structures of Nigeria industrial economy , Nigerian MSEs are more developed than the SSE, with production techniques characterized by organised factory–type processing of more complex goods. They dominate in textiles, readymade garments, metal products, footwear as well as pharmaceutical products, and cater for a wide market. They employ relatively high technology, but unlike large scale enterprises (LSEs), are less capital intensive. In a number of cases, they represent backward integration from trading activities. Access to technology is not a major constraint; they are able to employ technical specialists to install equipment and train employees. The LSEs comprises the modern factories, often with multi-national linkages, using the state-of-the-art technologies and mass-producing for both domestic and export markets. The analysis of industrial structure by size, in 2006, showed that SSEs constituted 65.5 per cent, while the MSEs and LSEs constituted 32.0 and 2.5 per cent respectively.

KEYWORDS

Income , Flow , Industrial , Structures , Circular , Nigeria , Economy.

INTRODUCTION

Dr Umar Mohammed Ali defined national income is the collection performance of a goods and services produced in the country for a particular period of time usually a year.

Consequently, national income is the money value of the end result of all economic activities of a nation. Economic activities generate a large number of goods and services, and make a net addition to the national stock of capital. These together constitute the national

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income of a closed economy, I.e an economy which has no economic transaction with the rest of the world. In an open economy, national income includes also the net results of a nations transaction with the rest of the world (I.e export less imports). National income is alternatively called national products. Incomes are earned by producing goods and services. This value of products represents incomes to producers in the form of wages, salaries, rent, interest, or profits. Thus the total of all incomes must be exactly identical with the value of all goods and services produced in an economy within the particular year.

Structure of the Nigerian Industrial Economy

Nigeria is richly endowed with a variety of solid minerals ranging from various types of precious metals to industrial minerals such as barytes, gyspsum, kaolin and marble. Others include coal, iron ore, lead, limestone, tin, colum bite and zinc. Statistically, the level of exploitation of these minerals is very

minimal in relation to the extent of deposits found in the country. Throughout the 1960s, agricultural sector was the most significant contributor to the GDP, foreign exchange receipts and government revenue. It was also the highest employer of labour in the economy. Within the early period of post-independence up till the mid-1970s, the government took a policy decision to promote industrial production, which saw a rapid growth of industrial capacity and output, as the relative importance of the manufacturing sector in the economy increased. At the same time though, oil was discovered and attention shifted away from agriculture. This shift led to structural distortions which affected Nigerias economic growth and development prospects. Misalignment between domestic production and consumption, mono-cultural economic base, overwhelming dependence on crude oil exports, and unbridled import dependence define the character of the economic challenges confronting policymakers and practitioners in the country. Nigeria is a major oil producer, which accounts, on the average, for over 90.0 percent of export receipts and about 70.0 per cent of government revenues (seetable 1). The massive increase in oil revenue following the Middle-East crises of the mid-1970s created unprecedented and unplanned wealth for Nigeria: the oil boom. Thus, the economy became dangerously dependent on the oil sector and aggravated the misfortunes of the agricultural sector as its relative importance in the economy declined immensely; though the sector remained the highest

employer of labour and contributor to GDP. The accretion to foreign reserves resultant from the oil boom strengthened the domestic currency in the 1970s. This, consequently, encouraged import-oriented consumption, a habit which became difficult to drop even after the oil glut laterin that decade. The ensuing crisis from the glut resulted in the depletion of the external reserve, huge and increasing fiscal deficits which culminated into external borrowing. Several policy initiatives taken to correct the defective structure and reduce inefficiencies in the system were not effective.

Industry

The industry is dualistic and characterized by a large number of informal small enterprises and a few formal modern firms. The size of Nigeria's industrial sector was put at 61,289 establishments, each employing more than 5 workers. While comprehensive and current data are not available, there are indications that small and medium scale enterprise account for about 70.0 per cent of industrial employment and 10.0 to 15.0 per cent of manufacturing output. The small scale enterprises (SSEs) tend to be rural based while

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the medium scale enterprises (MSEs) produce in urban areas. The SSEs are basically craftsmen and artisans engaged in the production of traditional consumer goods, which include weaving apparel, home and office furniture; footwear and other leather products; food products and services like metal working, printing, auto vehicle repairs and tyre rethreading. The sector tends to locate and concentrate its distribution activities in local markets, thus obtaining the economic advantages of consumer proximity – as in providing services such as tailoring, printing and repair shops and in producing bulk items such as furniture and building blocks.

Foreign Trade and Exchange Markets

Like most of the other sectors and activities, Nigeria"s foreign trade and exchange rate markets are dualistic with the predominance of formal sector over the informal or parallel market sector. Although outlawed, many people openly engage in parallel foreign exchange transactions in the country. It is estimated that the parallel market caters for up to 10 per cent of the foreign exchange needs, especially of individuals engaged in overseas travels and trans-border trade, etc. The volume of unrecorded trade with neighbouring countries has been on the increase, following the implementation of the ECOWAS protocol on free movement of persons and the considerable liberalization of external trade. Chart 8 shows the composition of external trade for oil and non-oil sectors. Generally, foreign trade is dominated by the oil sub-sector which accounted for 96.7 per cent in 2009 while non-oil exports accounted for 3.3 per cent. By contrast, non-oil imports dominated total imports, accounting for 78.8 per cent in The patterns and trends in external trade and balance of payments position underscored the high degree of external dependence of the Nigerian economy. The foreign exchange content of domestic production and consumption is very high, thus, making the economy highly vulnerable to external shocks. There have been changes in the composition of non-oil imports in favour of consumer goods over the last decade, indicating decline in production and increase in dependence. Consumer goods which accounted for only 19.0 per cent of total imports in 1996 had gone up to 40.0 per cent of total imports in 2009 while raw materials with total share of 42.0 per cent in 1996 declined to 36.0 per cent. Government revenues in Nigeria are classified into oil and non-oil. The oil revenue includes proceeds from sales of crude oil, petroleum profit tax (PPT), rents and royalties, while the components of non-oil revenue are companies income tax, customs and excise duties, Value-Added Tax (VAT) and personal income tax. Since the 1970s, oil revenue has been the dominant source of government revenue, contributing over 70 per cent to federally-collected revenue. The distribution of revenue from the Federation Account is done at two levels: first between Federal, State and Local Governments and second among component State and Local Governments. Over the years, the principle and formula for revenue allocation among the three tiers of government has been the subject of intense debate and controversy. This has necessitated the constitution of several Revenue Allocation Commissions since independence. Between 1979 and 1994, many adhoc changes or amendments were made to the revenue allocation formula through various decrees. The amendments have, however, not succeeded in quelling the resultant controversies among the tiers of governments. From the distributable total revenue of N4,537.8 billion in 2009, statutory allocation was N2,831.7 billion. Out of the allocation, the Federal Government receivedN1,353.6 billion, state governments obtained N686.6 billion, local governments gotN529.3 billion and the derivation fund received N262.2 billion. In the current structure,

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before the distribution of the federally collected revenue the following are deducted from source: Joint Venture Cash Calls, excess crude/PPT/royalties, and13.0 per cent derivation for the oil producing states. In addition, Federal Inland Revenue Services (FIRS) and the Nigeria Customs Services (NCS) collect 4.0 and 7.0per cent of the total collected revenue before the Federation Account is shared among the three federating units in line with the constitutional provisions. The balance is thereafter, shared based on the allocation formula. External debt services and Special funds are borne by the Federal Government.

The sales tax which existed before was introduced as Value-Added Tax (VAT) system in 1994, and was shared in the ratio 20:50:30 per cent to federal, states and local governments, respectively. However, it has been revised at least four times since, the last revision in 1999 proffered the ratio 15:50:35 per cent for federal, states and local governments, respectively.

The Constitution also provides for independent revenue by the three tiers of government in addition to the statutory allocations from the Federation Account. The independent revenue of the federal government comprises personal income tax, operating surpluses of federal parastatals, dividends from federal government investments in publicly quoted companies, rent on government properties, interest and capital repayment on loans on-lent to state governments and parastatals, etc. Other sources of revenue for state governments include internally-generated revenue, grants and subventions. The major sources of internally-generated revenue of the local governments are property tax; radio and television licences; levies on underdeveloped plots used for commercial purposes; community taxes;

development levy; and other general rates. Generally, since the 1980s there has been very high dependence on statutory allocations from the Federation Account ,particularly for the lower tiers of government.

An analysis of the consolidated fiscal operations of the three-tiers of government between 1970 and 2009 showed the overwhelming dominance of the Federal Government. For instance, out of the total revenue of N6,117.7 billion in 2009, 52.7per cent accrued to the Federal Government, while the state and local governments" shares were 26.7 and 20.6 per cent, respectively (see Chart 13). The expenditure profile followed the same pattern. Past trends since 1986 were quite similar, confirming that the fiscal behaviour of the Federal Government dictates the tempo of general economic activity.

The Need For National Income Analysis In Business Organizations.

National income and its related conceptual framework as seen in the presentation above is directly related to business organisations as it reflects the extent to which goods and services are valued in monetary terms. National income measures the entire value of goods and services produced in an economy over a particular period of time (usually a year). This concept can be seen from either the GDP, GNP or NNP viewpoint, as highlighted above. Looking at these concepts from the business perspective one can rightly observe that national income explains the performance of business organizations which constitute the unit that produces goods and services. Considering national income from the GPN perspective enables the management of a business to appreciate the contribution of different sectors of the economy with a view to devising suggestions on the way forward through identifying their areas of weaknesses or the contributory forces to their poor performance.

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Also, the GDP will explain the overall contribution of the various business.

APPROACHES USED IN MEASURING NATIONAL INCOME

The following are the conventional methods used in measuring national income:

Income approach

Natural income can be measured through the income approach by adding up all the incomes earned by the factors of production during the course of a year. In other words, it is the sum of all incomes received by households for their services to production. These include all wages and salaries, income earned by professionals. Farmers, and armed forces personnel, as well as undisputed business profits and incomes earned by the citizens from abroad. From this total we deduct incomes paid to expatriates from the economy, as well as all transfer payments like interest paid on the national debt or to persons. National income can then be seen also as the summation of the reward accrued to the factors of production (land, labour, capital, and the entrepreneur) as a result of their contribution to production.

Problems of this approach to measure the national income of an economy through the income approach, requires a lot of consideration relating to which factors to be taken into consideration and which not to.

The problems of the approach in estimating the national income include the following.

Not all income earned by the firm is distributed as dividends; very often, a substantial portion is retained and ploughed back. This means that in some businesses the owners tend to plough back their profits, i.e to reinvest what they have realized instead of sharing it as a profit. For this reason, to measure the national income through this approach may be misleading as a lot or major part of the profit cannot be calculated. Hence it represents a shortfall in the level of net national income.

A house occupied by its owner attracts no rent. This leads to underestimation. Another source of underestimation of the national income is through disregarding the importance of some activities that should command value economically. This can be seen from observing the fact that there are some goods and services that are produced and consumed by a person himself, e.g. occupation of a Hauser by the owner himself, in which it's opportunity cost may be the rent accrued to the person (owner) if her rented it out to another person.

Individuals who are self-employed do not claim any definite wages or salaries. Self-employed person compares people who are not under the control of any other person, or who are not employed by another individual on a wage/ salary basis. These types of people do earn incomes which cannot be classified as either a profit (reward to the entrepreneur) or a wage (reward to labour), hence complicating the procedure and leading to underestimating.

Output approach

The output approach of the measurement of the national income involves estimating the national income as the sum of the market values of all goods and services produced in the economy. To avoid double counting, only the value of the final goods is used. To this we add subsidies, and subtract the value of indirect taxes.

Problems Associated With Output Approach

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To calculate the national income, using the output approach, a number of problems are encountered. Salient among them are:

Risk of double counting. This problem arises due to the Interrelationships between and among commodities whereby some firms, outputs are the inputs of other firms. In this situation, there is always a tendency for counting the value of some commodity in excess, I.e more than one time. This is why we call this the problem of double counting.

Omission of unpaid services. Some activities, especially services whose value is supposed to be incorporated, are mostly neglected, e.g. the value of the services of a housewife which should be taken into consideration by the national income analyst but it also neglected. However, this sort of service commands a value and deserves to be considered.

Self service activities. The identification of some self service activities is too difficult to be realized. Hence, to try and determine the extent and their level and consequently to value them in monetary terms will not be an easy task. Hence the income approach always leads to underestimate of the actual figure.

Expenditure approach

The expenditure method, also known as the final method, measures national income at the final expenditure stages. In estimating the total national expenditure, any of the following two methods are followed: firstly, all the money expenditure at market price are computed and added up together; and secondly, the value of all the products finally disposed of are computed and added up, to arrive at the total national expenditure. The items of expenditure which are taken into account under the first method are: (a) private consumption expenditure; (b) direct tax payments; (C) payment to non-profit making institutions and charitable organizations like schools, hospitals, orphanages, etc; and (d) private savings. Under the second method, the following items are considered: (a) consumer goods and services; (b) private investment goods; (c) public goods / services; and (d) investment abroad. The second method is more extensively used because the requisite data required by this method can be collected with greater ease and accuracy. This approach involves estimating the sum of all consumption expenditure, investment expenditure, government expenditure and export expenditure.

Problems Associated With The Expenditure Approach

It is technically difficult to isolate intermediate products from final products.

To obtain actual factor price is an impossible task, particularly in less developed countries.

The identity of output, income and expenditure

In all national income accounting, the basic overall aggregate being measured is the total value of output at factor cost (either in constant or at current market prices). This can be looked at directly in terms of the output itself, O, or the income it generates, Y, or the us independent information, the totals do not, since the three are defined so that they are identical: Y = O = E.

The danger of double counting, I.e. via including transfer payments, prices of intermediate goods, etc. You may want to ask what constitutes transfer payments and prices of intermediate goods.

By transfer payments, we mean the payment on income received by an individual which is not a reward for his own labour, e.g. bonuses, and charity. All these

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should be excluded from the overall national income estimate.

Equally the prices of intermediate goods, which are semi-finished goods, should be excluded they are regarded as intermediate or semi-finished because they may likely be used to produce other products (final goods), which when considered will represent double counting of the commodity (as input and as output).

Treatment of depreciation. Depreciation, as seen in the previous unit, refers to wear and tear valuation. It remains a problem especially with respect to the expenditure approach, as its inclusion may amount to over / undervaluation of the real national income figure itself.

Treatment of illegal activities like prostitution and gambling which are not included in national income, where as they are services and generate income. Since they generate income, such activities ideally are supposed to form part of the national income as they represented earnings. But because they're considered in society as a taboo/I'll, they are not included. This negligence of those activities may tremendously render national income estimation insufficient.

The problem of what to include and what to exclude, for instance the service of the housewife, which are economically valuable. Since all economic activities are supposed to assume value, the negligence of services such as those of the housewife represents a serious underestimation of the real value of the national income

Conceptual Problems

The conceptual problems are those that arise as a result of trying to answer the question of what to include as part of the national income. These problems include the following:

The per capita income, which is calculated from the national income estimate, is only an average. Although it gives the flow of goods and services per person, it does not tell us how the goods and services are distributed amongst the various components of the economy.

National income estimates fail to tell us the kind of goods and services produced. They only tell us the sectoral contribution in monetary terms.

The national income neglects some important factors which influence the standard of living. For instance, it does not consider life expectancy and working conditions. It only measures the volume of income irrespective of how it is generated.

PRACTICAL PROBLEMS

The practical problems of measuring the national income estimates have to do with the hurdles encountered when gathering the information for the measure of incomes. They are termed 'practical due to the fact that they arise as a result of actual attempts to drive the national income from individuals and organizations.

Such problems include the following:

Many people tend to give false information, thereby making the data available for national income computation misleading. For instance , businessmen often refuse to give the real picture of their business for fear of taxation.

The exchange of service is a practical problem facing national income data collection for instance, in the rural areas of Africa communal activities are very

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common. This is a situation in which people organize themselves to work as a team for one another in returns.

The necessary tools use, e.g. computers, telephone plus other administrative facilities are often unavailable or grossly inadequate thereby impeding the efficiency of the people that gather information about the goods and services produced in the economy.

Some exchanges of goods, particularly in less developed economies, take place without many. So computation in monetary terms is not possible.

Technical expertise for collecting national income data is sometimes lacking, especially in the less developed economies. This problem makes such countries.

CIRCULAR FLOW OF INCOME.

Before proceeding to describe the theory of income determination, let us look into the workings of the economic system and the process of income generation, I.e. circular flow of income. In Keynes's analytical framework, the entire economy is divided into four sectors:

Household sector

Firms or the business sector

Government sector

Foreign sector

We limit our research of the circular flow of income to the two-sector model, involving only the household and firm sectors. This is because a good knowledge of the flow of income between the two sectors will help to equip you to take good business decisions.

Two sector model.

In this two-sector model, the economy is closed with no government and foreign sectors. The model assumes:

There are only two sectors households and firms.

Households are the owners, and firms are the users of those factors of production.

Households incomes comprise factors payments, wages, interest, rent and profits. Households spend their total income on consumer and capital goods.

The economy is spendthrift, with no element of savings.

There is no foreign trade and no government expenditure.

The circular flow of income which shows how income flows from firms to households and how expenditure flows from households to firms is, indeed, a very simple illustration of how the economy works. The circular flow of income is very useful in the theory of income determination, for it shows that, if withdrawals from the flow are equal to injections into the flow, then national income will remain at the same level. Withdrawal are as a result of savings, taxation and expenditure and imported goods. Injections are due to investment and government expenditures and income from export.

The figure is divided into two parts. The upper half represents the factors of production. In the process, income factors, I.e. wages, interest, rent and profits move from the firm and flow to the household.

The lower part of the figure represents the product or commodity market where firms sell and households buy the commodities flow to the households. From the

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diagram, therefore, payments flow from firms to households in the form of payments for the expenditure on goods and services within economy.

Concepts In National Income Determination.

The following concepts are encountered in the theory of income determination:

Withdrawals

Injections

Consumption

Saving

Investment

Withdrawals

Withdrawals are incomes received in the course of the circular flow but which are not passed on in the flow. It is called withdrawals because is the payment received from the flow but kept out of it. Examples are savings and undisputed profits of firms. Withdrawals have a confectionary effect on the national income.

Injections

An injunction is income passed into the circular flow of income from outside the system.

A good example is investments by firms. Injections have an expansionary effect on the national income.

Consumption

Consumption is that part of income which is spent on goods and services that are used up within a specified time, usually a short period.

Saving

Saving is that part of income which is neither spent on goods and services for current consumption, nor invested.

Investments

An investment is that part income which is spent on real capital goods. That is , it is payment on physical productive assets, I.e. goods which are not meant for immediate consumption, e.g. factory buildings and road construction machinery.

PHASES OF BUSINESS CYCLES.

The ups and downs in the economy are reflected by fluctuations in aggregate economic indices such as production, investment, employment, prices, wages and interest. The upward and downward movement in these indices shows the different phases of business cycles. Basically, there are two phases in a cycle, viz prosperity and depression. However, considering the immediate stages between prosperity and depression, the various phases of a trade cycle may be stated as follows:

Recovery and expansion

BOOM, peak or prosperity

Recession/ downward trend

Trough/The bottom of depression/slump

Expansion of economic activities

The five phases of business cycles have been presented diagrammatically The potential GDP shows the growth of the economy when there are no economic fluctuations. The various phases are shown in the up and down movement of the graph around the potential GDP. The line of cycle moving above the potential GDP is the peak. The expansion phase is

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characterized by an ingrained output, employment, investment, aggregate demand, sales, profits, bank credit, wholesale and retail process per capita output, and a rise in the standard of living. The various phases are discussed in some detail below.

Expansion/Recovery

The expansion phase is characterized as explained above by an increase in output, employment, aggregate demand, etc. The growth rate eventually slows down and reaches a peak. Expansion is the starting point of economic prosperity as shown in the diagram.

Peak/Boom /prosperity

A peak is the top of the cycle. At the peak there is a high degree of utilization of existing capacity, shortages of essential raw materials may develop. That is why the peak is generally characterized by a slack in the expansion rate. Output can be raised further only by investments that increase capacity. Because such investments take time, further rises in demand are now met more and more markets, a situation of general excess demand for factors develop in more and more markets, a situation of general excess demand for factors develops. Costs rise, but prices rise also, and business remains generally profitable.

Recession/downward trend

A recession, which often follows a peak, is a sustained fall in the level of economic activities. Demand falls off and as a result production and employment fall. As employment falls, so do household incomes; falling income causes demand to fall further. Profits drop and more and more firms get into difficulties. Investments that looked profitable on the expectations of continually rising demand suddenly appear unprofitable,

Trough/The bottom of depression/slump

During the phase of depression, economic activities slide down their normal level. The growth rate becomes negative. The level of national income and expenditure declines rapidly. Prices of consumer and capital goods decline steadily. Workers lose their jobs. Debtors find it difficult to pay off their debts. Demand for bank credit reaches its low ebb and banks experience mounting of cash balances. Investments in stocks becomes less profitable and less attractive. At the depth of a depression, all economic activities touch the bottom and the phase of a trough is reached. Even the expenditure on maintenance is deferred in view of excess producWeaker firms are eliminated from industries. At this point the process of depression is complete.

Expansion of economic activities

The factors that reverse the downswing vary from cycle to cycle like the factors responsible for making the business cycle vary from cycle to cycle. Generally, the reverse process begins in the labour market. The widespread unemployment forces workers to work at wages less than the prevailing rates. The producers anticipating a better future try to maintain continues, the economy will proceed to recovery.

When something sets off a recovery, the lower turning point of the cycle has been reached. The symptoms of a recovery are many: worn out machinery is replaced; employment, income and consumer spending all begin to rise; and expectations become more favorable as a result of increases in production, sales and profits. Investments that once seemed risky may now be undertaken as the climate of business opinion starts to change from pessimism to optimism. As demand expands, production can be expected with relative's ease merely by reemploying the existing unused

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production capacity and unemployed labour. With this process catching up, the economy enters the phase of expansion and prosperity. The cycle is thus complete.

Although the phases of the business cycle are described by a series of commonly used terms, no two cycles are the same. Starting from expansion, a cycle goes through a phase of peak, reaches an upper turning point, and then enters the period of recession, form there moving to depression before reaching recovery when the lower turning point is reached. Cycles differ from one another in the severity of their troughs and peaks and the speed with which one phase follows another. Severe troughs are called depressions; extreme peaks are called booms.

CONTROL OF THE BUSINESS CYCLE

The business or trade cycle creates havoc in the economy through fluctuations and instability. It is thus the responsibility of the government to control the severity of fluctuations caused by the business cycle, and to ensure that economic activities are smooth. The methods of controlling the business cycle can be broadly categorized into two:

Monetary policy. Monetary inflation, leading to changes in income and profits, can be controlled using monetary policy. Similarly, monetary deflation reinforces the downswing in the economic activities leading to a depression. Monetary policy should be adopted in an anti cyclical way. During a boom, the supply of money and credit should be controlled and regulated. The central bank of the country should adopt methods of credit control. The weapons for credit control such as bank rate, open market operation, etc., should be used to control inflation, it's tendencies and over expansion of business activity. During depression, an expansionary credit policy should be adopted to control the severity of depressions.

Fiscal policy. Monetary policy alone may not be sufficient to check the instability of the business cycle. It should be reinforced by a suitable fiscal policy. During the period of depression, the government should reduce taxes to leave more money in the pockets of individuals for spending and investment. Government should raise its expenditures by initiating public projects. During a boom, the government should increase the level of tax and reduce its expenditure.

CONCLUSION

This research is focus on the structures of Nigeria industrial economy and circular flow income , the GDP of foreign exchange receipts and government revenue. It was also the highest employer of labour in the economy. Within the early period of post-independence up till the mid-1970s, the government took a policy decision to promote industrial production, which saw a rapid growth of industrial capacity and output, as the relative importance of the manufacturing sector in the economy increased. At the same time though, oil was discovered and attention shifted away from agriculture. This shift led to structural distortions which affected Nigerias economic growth and development prospects. Misalignment between domestic production and consumption, mono-cultural economic base, overwhelming dependence on crude oil exports, and unbridled import dependence define the character of the economic challenges confronting policymakers and practitioners in the country. Nigeria is a major oil producer, which accounts, on the average, for over 90.0 percent of export receipts and about 70.0 per cent of government revenues (seetable 1). The massive increase in oil revenue following the Middle-East crises of the mid-1970s created unprecedented and

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unplanned wealth for Nigeria: the oil boom. Thus, the economy became dangerously dependent on the oil sector and aggravated the misfortunes of the agricultural sector as its relative importance in the economy declined immensely; though the sector remained the highest employer of labour and contributor to GDP.

GDP mean more of the goods and services we measure. It means more jobs and more income. And most people seem to place a high value on these things. For all its faults, GDP measure the production of most goods and services. And goods and services get produced, for the most part, because we want them. We might thus be safe in giving two cheers for GDP - and holding back the third in recognition of the conceptual difficulties that are inherent in using a single number to summarize the output of an entire economy.

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