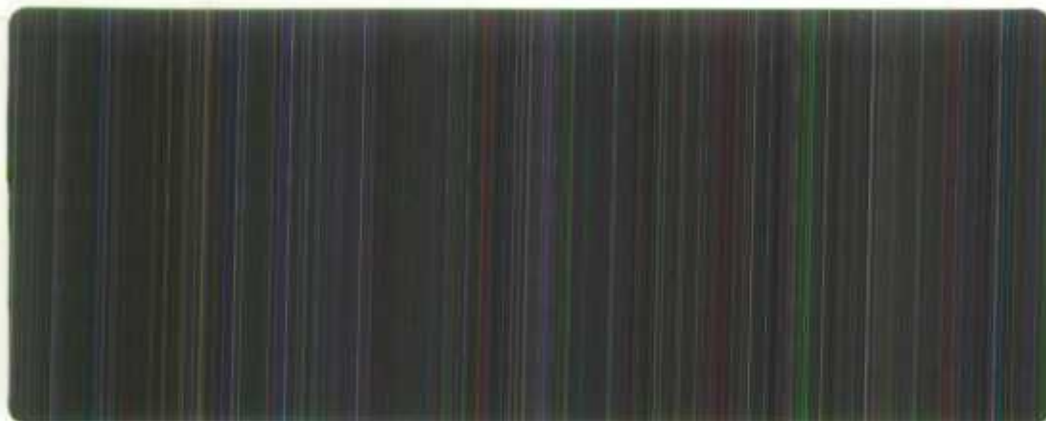


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System of National Accounts
Input-Output Division

**Input-Output Accounts of the Canadian Economy:
Concepts, Definitions and National Economic Accounting Structure**

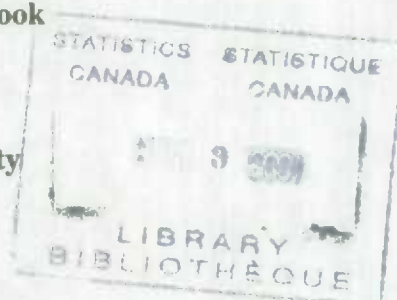
**Author's Preface and
Contents of the Book**

By

P.S.K. Murty

92

August, 2001



Input-Output Accounts of the Canadian Economy

CONCEPTS, DEFINITIONS AND NATIONAL ECONOMIC ACCOUNTING STRUCTURE

*Author's Preface and
Contents of the Book*

By

P.S.K. Murty, Ph. D.
Chief of Research and Development
System of National Accounts
Input-Output Divison
August, 2001

AUTHOR'S PREFACE

Scope and Style

This is a reference compendium dealing with the Input-Output Accounts of the Canadian economy. It consists of the following three volumes.

- Volume One: Background and Uses
- Volume Two: Concepts and Accounting Structure
- Volume Three: Historical Revision, 1961-1992

The Input-Output Accounts are prepared and published annually for economic analysis particularly for the content analysis of production and disposition of goods and services. The three volumes of this compendium explain, in simple language, the background and uses, concepts, definitions and the national economic

accounting structure of the Input-Output Accounts along with highlights of the recent historical revision.

They have been written in a style different from the traditional presentation, which generally gives a mere narrative and descriptive account without any detailed explanation of the uses and applications of the databases.

I have chosen the different style for three main reasons.

- First, the information should be useful for a larger audience and presented to the readers in a way that makes it indispensable even for elementary study by college students and beginners in economic analysis.
- Second, the presentation should be simple, unambiguous, and easily understood.
- Third, it should give, where possible, illustrations, tabular information, charts and analytical context to make it well understood by the broader audience to encourage more application of the Input-Output Accounts in economic and business analysis.

Goals

I have two goals in preparing this document.

- My first goal is to try and embody my extensive in-depth knowledge and experience in a detailed manner, rather than in broad generalities, to preserve the institutional memory of the discipline. Consequently, besides other uses, this document is designed as a reference tool primarily to train the professional

and technical support staff by making the style and manner of presentation easy to follow and suitable for teaching purposes.

- My second goal is not to limit the use of this document to only a few sophisticated readers such as the professional staff who are already well acquainted with the subject, but rather, to extend the benefits even to the beginners by giving extensive narrative descriptions where needed, and by answering simple questions that are normally posed by all those who are interested in learning more about economic analysis by using the key data of the Input-Output Accounts.

The Accounts may sound like a mystery for those who do not have familiarity with the details such as ‘what’ they are, ‘why’ they are produced and ‘how’ they can be used for different analytical needs. My primary goal is to demystify the position and change the perception by explaining clearly ‘what’ the Accounts are meant to accomplish, ‘why’ they are created and ‘how’ they can be used in many situations to answer various questions. Let me elaborate on some of the driving forces for the underlying theme of presentation to place the subject in a better perspective.

Generally speaking, presenting the information on the Input-Output Accounts to the audience in an interesting and useful way by keeping the aforesaid objectives in mind is always a challenge, because the authors are faced with the problem of how to begin the study. As the information on the Input-Output Accounts is massively wide and deep which has to be compressed into some meaningful and practical generalities, one can begin the presentation with the explanation indicating the

need for such Accounts, their practical usage and applications for different studies, and their conceptual framework within the internationally used national economic accounting system, which is called the System of National Accounts. There is indeed so much to know for a better understanding of the Input-Output Accounts.

One can also begin the study with a mere narrative and descriptive summary of the existing presentation only, without providing any answers to questions such as those starting with 'what', 'why' and 'how', and without writing anything about the numerous changes that occurred in the recent historical revision program which reshaped the past structure and modernized the Accounts.

A mere narrative and descriptive account presented in this manner without any mention of the past nor any mention about the underlying need of the Input-Output Accounts is inevitably a dull collection of facts.

Readers want to know, for example:

- What are the Input-Output Accounts?
- Why do we produce them in the first place?
- How are they put together?
- What are their concepts and definitions?
- What is their national economic accounting structure?
- Why did we change the previous concepts and definitions?
- Why did we introduce changes to the previous structure of the accounting framework?

- Which specific items in the concepts and accounting structure did we change in the modernization program?

Answers to these questions would make the topic more interesting, illuminating and inspiring to the beginners as well as other readers. While answering those questions, it is also desirable to give examples of numerous uses and applications along with the inherent limitations, so that a clear and unbiased view of the subject could emerge in such a theme. Then, the subject would be transformed from a dull nature to an interesting and thought - provoking type. Such a manner of presentation is user - friendly and would also attract the attention of many new readers, since the information would be more palatable and useful to them. That is the style and type of approach that would indeed instill the interest and fire up the appetite of the readers for more information on the related issues. Also, the reinforcement of the interest of the readers, on the subject at the beginning in the first volume would ensure a better reception of the more complicated information on concepts, definitions, and structure of the national economic accounting framework, which is presented in the second volume.

There is also another advantage. By generating more interest among the readers on the various ways of applying the data to different issues at the very outset, the basic empirical knowledge needed for economic analysis could be disseminated more easily to a larger audience. As a consequence, many readers would be well-informed. That kind of approach would facilitate the training of a broad spectrum of well-informed new analysts in the long-run. The upshot of such a step would be

certainly beneficial to the community at large, because the newly trained analysts could be able to utilize the databases and evaluate the emerging events in the economy. Thus, eventually, the interests of the broader audience would be well served. These are just a few illustrations of advantages that would flow from the different style adopted here.

Having explained my two goals which prompted me to write this document in a style different from the traditional pattern of presentation, let me also explain the need and the benefits of a broader audience.

Benefits of a Broader Audience

One may question why this document with three volumes should be focussed for a broader audience at this time. In answer to this question, I wish to highlight a few important benefits that would accrue by following such an approach.

- First, a broader audience including trainees and beginners is needed now to develop and strengthen a knowledge - based economy in Canada. Such an audience would be able to benefit from this reference compendium by understanding one of the important and currently available basic tools of economic analysis.
- Second, we would be able to increase the analytical potential in human resources to fill the gaps that are constantly created by the retirement of senior professionals.
- Third, the training programs of government statistical offices would be able to use this document for teaching purposes.

- Fourth, universities and colleges, which desire to introduce both short-term and long-term courses on the subject in the field of applied economics ranging from say, three weeks to three months, would have a ready-made textbook for their needs.
- Fifth, a flagship course in macro-economic input-output analysis could be developed in any statistical organization such as Statistics Canada using this document as the basic text book. Such a course would be enormously beneficial not only for beginners, but also for those who have already been working in the area to strengthen their basic knowledge and to sharpen their analytical and research skills.
- Sixth, this compendium has been written taking into account the Input-Output Accounts in general although, for the sake of examples, reference is made to the Accounts of the Canadian economy in particular. Since the Canadian Accounts follow closely the international Accounts recommended in the 1993 System of National Accounts of the United Nations and other major international organizations, this compendium is relevant for a reference document as well as for a text book not only in Canada but also in other countries of the world which have a system similar to the international system.

Courses

Then, the next question that follows is: Where can we have such a specialized course at the present time to obtain all those benefits?

We know that universities and colleges teach the basic theories in Economics.

However, specialized fields of applications such as the National Economic

Accounts and their components (e.g., Input-Output Accounts) are generally left to the government departments which have the responsibility to produce those accounts. Therefore, at the present time, only the government offices which eventually get the benefit of knowledge in those specialized areas would have to introduce a training course tailored primarily to specific programs of work where such specialized knowledge is required using this as a text book.

Therefore, no matter how one looks at it, it is inarguable that a reference document such as this compendium outlining the details of the concepts, definitions and the national economic accounting structure with some answers to questions starting with 'what', 'why' and 'how' is highly desirable, timely, and useful for a broader audience. This conclusion appears to be very relevant at this stage, and the goal to provide conceptual knowledge and analytical know-how for all users, including trainees, in the new millennium, which is one of the driving forces of this publication, is not out of place.

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I am hopeful that this compendium would serve the interests of various users in their quest for knowledge on the much-desired quantifiable type of economic analysis not only in Canada but also in other countries and would also provide them with an important analytical tool for use in special studies on technological changes as well as in the general economic analysis in this new millennium.

System of National Accounts
Input-Output Division
Statistics Canada
Ottawa, Ontario
August 2001

P.S. K. Murty, Ph.D
Chief of Research and
Development

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*For Detailed Text,
Please Refer To:*

*Research Document Series No. 93
Volume One
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