8. CINT'S LACK OF FOUNDATION AND THE IMPACT ON NATIONAL ACCOUNTING

Quite dramatically, the publications on national accounting, even the official ones, by relying fully on CINT's assertions, make rather incorrect or inefficient suggestions.

First incorrect suggestion: that to obtain the volume index of some output, say GDP, the value index should be divided by the Paasche price index shown in (9) (SNA, 1993, p. 383). But as it was already demonstrated – consider our comparison of (9) with (7) – this Paasche index in (9) is in fact a truncated index; besides, the prime sign next to p_{h0} lacks in the denominator of this index. Consequently the suggestion would relate two *monetary* values, namely $\sum q_{ht} p_{h0}$ and $\sum q_{h0} p_{h0}$, which is not a **volume** index of output at all; it is only numerically identical with the correct volume index in (7), and only when $b=a$.

Second incorrect suggestion: that in order to establish the absolute volume of GDP, the volume index has to be multiplied with the basic value of GDP (see again the page cited). However, note that even if the volume index above was correctly derived, this approach to the GDP volume would require to use as multiplier $\sum q_{h0} p_{h0}$, and not the basic monetary value of GDP, $\sum q_{h0} p_{h0}$, as suggested. Moreover, the *efficient* approach will be to divide directly the absolute value of GDP with the **average price** of the elementary utility unit (the utility dollar), in (7):

$$\sum q_{ht} p_{ht} : \left(\sum q_{ht} p_{ht} / \sum q_{ht} p'_{h0} \right) = \sum q_{ht} p'_{h0} . \qquad (10)$$

Certainly, 1993 SNA's use of the Paasche price index under the indicated limitation $b=a$ would lead numerically to the same GDP volume value as in (10), but the approach will nevertheless prove in essence wrongly chosen.

Third incorrect suggestion: that the transition from the monetary value of GDP to its volume represents deflation of GDP – a viewpoint time and again suggested to statistical agencies by the official publications. But, in our opinion, there is nothing more erroneous and more misleading than this suggestion, because real deflation is a movement within the same dimension: from one monetary value to another monetary value. While "volumization" of GDP moves towards the **utility** dimension.

Certainly, transition of GDP within the same dimension might be also of interest in the national accounts. If this is the case, the following transformation will be to the point: