

Day 22

→ How does import affect GDP?

we may import raw materials and use that to produce final goods. If we add it, it results in double counting, so we subtract it.

→ Why interest paid by govt. on debt not included in govt. expenditure?

Interest paid is not in exchange of any good.

→ Why imputed rent is counted in GDP?

Rent which would have been paid if the asset was rented and not bought is called imputed rent. We assume the money saved through imputed rent is actually spent.