Image

The **National Income** is the total amount of **income** accruing to a country from economic activities in a years time. It includes payments made to all resources either in the form of wages, interest, rent, and profits. The progress of a country can be determined by the growth of the **national income** of the country.

A variety of **measures of national income and output** are used in economics to estimate total economic activity in a country or region, including gross domestic product (GDP), gross national product (GNP), net national income (NNI), and adjusted national income (NNI adjusted for natural resource depletion – also called as NNI at factor cost). All are specially concerned with counting the total amount of goods and services produced within the economy and by various sectors. The boundary is usually defined by geography or citizenship, and it is also defined as the total income of the nation and also restrict the goods and services that are counted.

Methods of measuring national income

Output

The output approach focuses on finding the total output of a nation by directly finding the total value of all goods and services a nation produces.

Because of the complication of the multiple stages in the production of a good or service, only the final value of a good or service is included in the total output. This avoids an issue often called 'double counting', wherein the total value of a good is included several times in national output, by counting it repeatedly in several stages

Expenditure

The expenditure approach is basically an output accounting method. It focuses on finding the total output of a nation by finding the total amount of money spent. This is acceptable to economists, because, like income, the total value of all goods is equal to the total amount of money spent on goods. The basic formula for domestic output takes all the different areas in which money is spent within the region, and then combines them to find the total output.

The names of the measures consist of one of the words "Gross" or "Net", followed by one of the words "National" or "Domestic", followed by one of the words "Product", "Income", or "Expenditure". All of these terms can be explained separately.

> "Gross" means total product, regardless of the use to which it is subsequently put. "Net" means "Gross" minus the amount that must be used to offset depreciation – ie., wear-and-tear or obsolescence of the nation's fixed capital assets. "Net" gives an indication of how much product is actually available for consumption or new investment.

Gross domestic product and gross national product

Gross domestic product (GDP) is defined as "the value of all final goods and services produced in a country in 1 year".[3]

Gross national product (GNP) is defined as "the market value of all goods and services produced in one year by labour and property supplied by the residents of a country."[4]

National income and welfare

GDP per capita (per person) is often used as a measure of a person's welfare. Countries with higher GDP may be more likely to also score high on other measures of welfare, such as life expectancy. However, there are serious limitations to the usefulness of GDP as a measure of welfare:

- Measures of GDP typically exclude unpaid economic activity, most importantly domestic work such as childcare. This leads to distortions; for example, a paid nanny's income contributes to GDP, but an unpaid parent's time spent caring for children will not, even though they are both carrying out the same economic activity.

- Comparison of GDP from one country to another may be distorted by movements in exchange rates. Measuring national income at purchasing power parity may overcome this problem at the risk of overvaluing basic goods and services, for example subsistence farming.
- GDP does not measure factors that affect quality of life, such as the quality of the environment (as distinct from the input value) and security from crime. This leads to distortions - for example, spending on cleaning up an oil spill is included in GDP, but the negative impact of the spill on well-being (e.g. loss of clean beaches) is not measured.

- Capital formation
- Chained volume series
- Compensation of employees
- European System of Accounts
- Green national product
- Gross domestic product
- Gross national product
- Gross national happiness (GNH)
- Gross national income in the European Union
- Gross output
- Input-output model
- Intermediate consumption
- National accounts
- National Income and Product Accounts
- Net output

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What is National Income?

- National Income is the sum-total of factor-incomes earned by normal residents of a country during the period of one year.
- National Income is also defined as the sum-total of market-value of final goods and services, produced by normal residents of a country in one year.

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- Three aspects of National Income:

a) Production aspect
b) Income or distribution aspect
c) Expenditure aspect

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What is National Income?

- National income measures the total value of goods and services produced within the economy over a period of time.

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