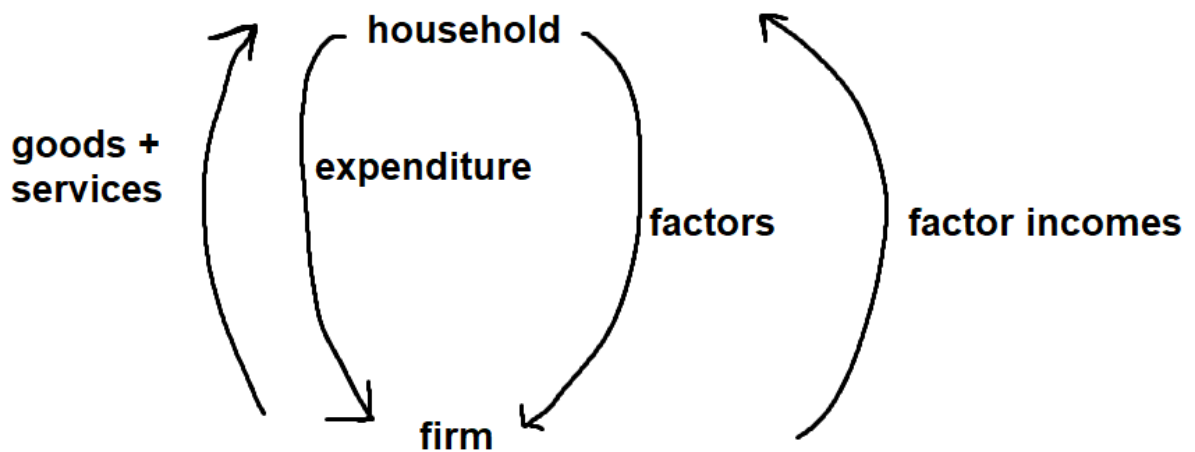


2.4.1 National Income

National Income Overview

- National Income is the total value of all goods and services produced by a country in a year (GDP + foreign income)



- National income = National Output = National Expenditure

Income and Wealth

- Wealth is the total value of assets of worth owned by an individual, firm or country. It is a stock concept (it can be

measured at a particular point in time).

Wealth is a stock of assets

- Income is a flow of money received by factors of production (wage, interest, profit, rent). It is a flow concept (measured over a period of time) Income is a flow of money
- Strong positive correlation between income and wealth. Ownership of assets (e.g. land) generates income (rent)
- Changes in value of wealth lead to changes in spending and therefore incomes (wealth effect)