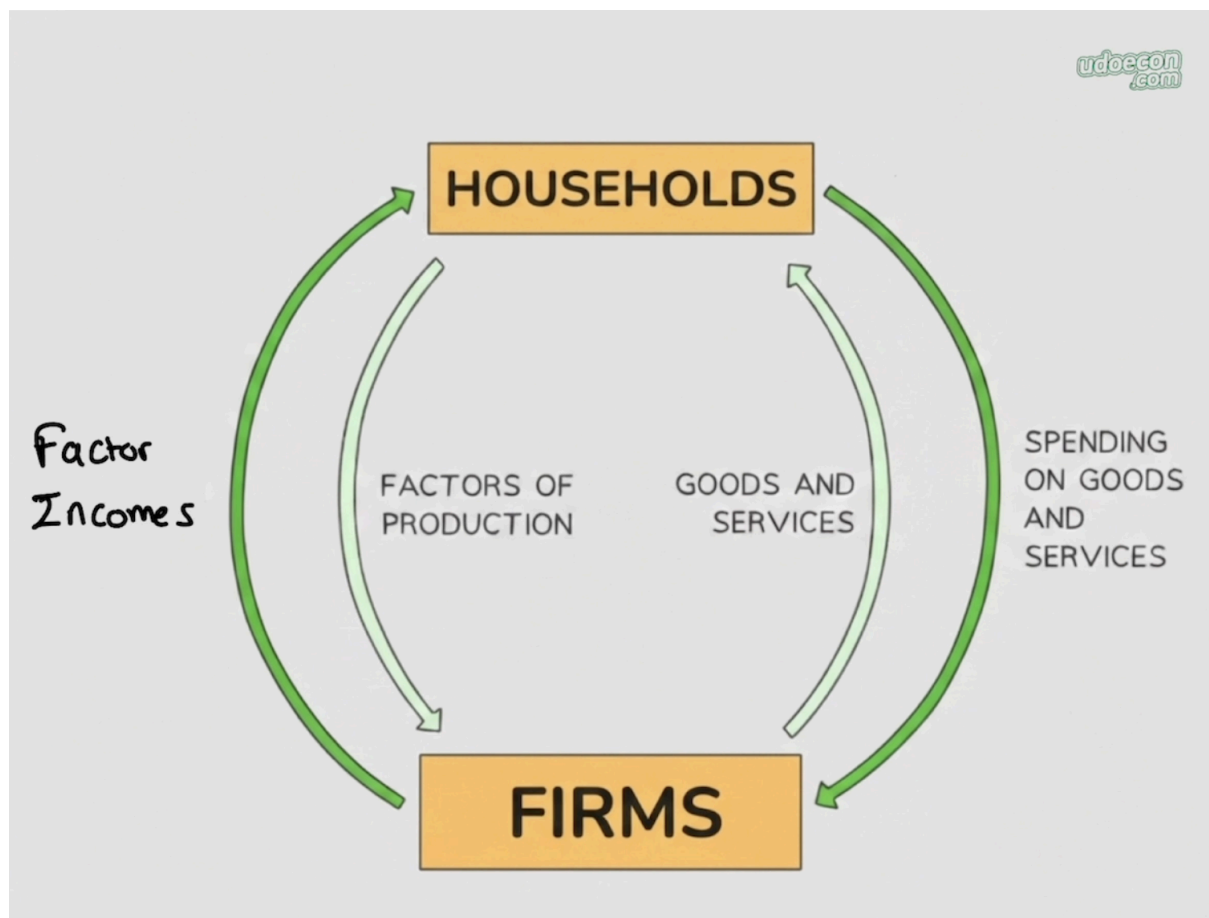


National income

National income is the value of an economy's output over a given period of time, usually one year.

A simple way to understand national income is the circular flow of income, which shows how money moves between households and firms.

The circular flow of income



Who the agents are

Households own the economy's wealth, meaning they ultimately own the factors of production. They supply factors of production (land, labour, capital, enterprise) to firms. In return firms provide them with factor incomes .

Firms hire these factors of production to produce goods and services. They then sell this output back to households (Spending on goods/services) .

Factor incomes

Households earn income by supplying factors of production. The main factor incomes are:

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- Rent (land)
- Wages (labour)
- Interest (capital)
- Profit (enterprise)

Income and wealth

Income is a flow of money received over a set period of time e.g a year whereas wealth is the sum of your assets .