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NATIONAL INCOME

National income—income of the nation during a period of time—provides a comprehensive measure of the economic activities of a nation. Its annual magnitude divided by the nation's population, called the **per capita income**, is used as a measure of the standard of living of the people in the nation, and the distinction between rich, middle income and poor countries is based on the magnitude of the per capita income. According to the World Bank Atlas method, countries having per capita income up to US \$755 are referred to as low income countries, those having between \$756 and \$2995 as lower middle income, between \$2996 and \$9265 as upper middle income and those whose income exceeds \$9265 as high income countries.

The growth rate of an economy is also measured by the rate at which its real national income is growing. Knowledge of the national income and its movements over time is of significance to a business organisation also, as this provides a measure of the nation's ability to buy goods and services, and, thus, business sales are dependent on its magnitude. The success/failure of policy makers is very often judged by the rate at which the real national income grows during their regime.

2.1 INCOME CONCEPTS

There are several versions of national income, though, strictly speaking, only one of them is referred to as the national income. These include:

- Gross National Product (GNP)
- Net National Product (NNP)
- Gross Domestic Product (GDP)
- Net Domestic Product (NDP)
- Private Income
- Personal Income
- Personal Disposable Income

Besides, some of these measures are defined both at the market price as well as at the factor cost. Thus, we have the GNP at market price (GNP_M), NNP at the market price (NNP_M), NNP at the factor cost (NNP_F) and so on. Also, there is the nominal and real income, and the measured income and PPP income. Thus, income is classified on several grounds, viz. income at market price versus at factor cost, national versus domestic income, gross versus net income, national versus private and personal incomes, nominal versus real income, and measured versus PPP income. All these are defined and distinguished in what follows. At this point it may be noted that it is the NNP at factor cost (NNP_F), which is globally referred to as the