

**Subsection 2.—National Income and Income Tax Statistics.**

“The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations.”—ADAM SMITH. This is perhaps the earliest modern definition of *national income*, and is still among the best, when it is interpreted in accordance with modern knowledge regarding the balance of international payments and the necessity of keeping productive equipment in running order. It must also be remembered that while the national income consists in goods and services of the most varied kinds, its total amount can be stated only in terms of money.

**The Difficulty of Measuring National Income.**—The precise statistical measurement of the national income is, however, a matter of insurmountable difficulty, and the most indefatigable research into all the relevant statistics, in order to establish a figure of national income, must always leave an appreciable margin of error. Indeed, it is no easy matter even for an individual to establish an accurate money figure as representing his *total* income, especially where he has to include in that total income, besides his cash income, an allowance for the rental value of his (owned) house and his durable belongings therein, together with an allowance for the money value of the commodities produced and consumed within the family, (such as eggs and garden produce) and of the services, ordinarily bought and sold, but rendered gratis within the family circle. Yet this is the only way of obtaining the total income of the family. While such income, not received directly in money, but in commodities produced and services rendered, is not, except for house and furniture rent, an important percentage of the family income in most urban families, it constitutes a very important part of the income of most rural families, who to a much larger extent consume the commodities which they themselves produce. For this reason, indeed, comparisons between the incomes of urban families and rural families are often misleading, through not allowing for the non-money income of the latter. Certainly most people never think of their non-money income as income at all, and would never dream of putting the rental value of their owned homes into their income tax returns. Indeed, the income tax authorities of Canada do not expect them to do so.

Any difficulties experienced in expressing the total income of an individual as a single figure are multiplied a million-fold in any attempt to express the total of the national income as a single figure. The individual and corporate incomes which are to be combined into this grand total *without duplication*, are of such a heterogeneous character that any figure which may be given as the grand total of the national income must include some margin of error. For example, the total of the national income must include the rental value of owned houses, and the value of the commodities raised on the 728,000 farms of Canada and consumed on the farms where they are produced, the value of the flowers raised in a million private gardens, and the value of innumerable services which in special cases are performed within the family, or by the individual for himself, although more ordinarily bought and sold.