

internal trade, comparative standards of living, and other factors. The distribution of the national income by industrial and service groups, by income classes and by provincial origin presents interesting sidelights on the functioning of the economic system. An accurate measure of the national income is not only desirable but is fundamental to the study of most national economic problems.

Definition of National Income.—The national income is defined as the net value of goods produced and services rendered during a given period. An alternate definition is the sum of the positive or negative savings of enterprises and the income payments to individuals resident in Canada, including salaries and wages, workmen's compensation, pensions, dividends, interest, rentals and withdrawals of working proprietors. Still another, though much broader, definition will be found at p. 889 of the 1938 Year Book.

National Income during the Inter-War Period.—In the study of national income that has been in progress in the Dominion Bureau of Statistics, the whole period since the end of the War of 1914-18 has been reviewed and a more complete statistical record of economic activity has resulted. The results of this study are summarized in Table 55.

Money incomes are affected by price levels, which have undergone wide changes in the period covered. When the influence of price fluctuations is eliminated by expressing the income for each year on the basis of 1926 prices, it appears that the income of 1937 and 1938 was able to command more in goods and services than that of any other year, with the exceptions of 1928 and 1929. The real income of Canada showed an upward trend in the inter-war period. Despite the handicap of industrial inactivity during the depression and the persistence of adverse weather conditions in western grain areas, the real income averaged \$4,240,000,000 in the last decade, against \$4,138,000,000 in the first, a gain of about 2·5 p.c.

The income at the end of the period was spread over a greater population and the trends per capita and per gainfully occupied person are shown in the last two columns of Table 55. Owing to the long period that has elapsed since the Census of 1931, the estimates of population and of gainfully occupied during later years will necessarily be subject to some revision when the results of another census become available. The proportion of the population gainfully occupied was considerably less during the latter part of the 20-year period than in the years immediately following the War of 1914-18. Even from 1919 to 1929 the proportion receded from 38·6 p.c. to 37·3 p.c. but the important drop came in the later decade and the estimated proportion in 1938 was only 32·9 p.c.

Owing mainly to the accelerating influence of war activity, the national income, according to preliminary estimates, rose further in 1939 and 1940. The real income, measured on the basis of prices prevailing in 1926, was greater in 1940 than in any other year. In the first quarter of 1941, it is estimated that the national income rose