Description of Method.—The computation of the national income is, theoretically, a matter of accounting. The following formula presents a simple picture of the relationship existing in a closed economy.

Gross Operating Revenues

less

Cost of Materials and Overhead

and Depreciation Charges

$\left.\right\}$ = NATIONAL INCOME =

Payments to Individuals (including: salaries and wages, supplementary labour income, net dividends, rents and withdrawals of working proprietors, etc.)

plus

positive or negative savings of enterprises

Based on this formula, the income of the Canadian people is defined as the value of goods and services at current prices becoming available for consumption or investment during a given period to persons residing in the country, after providing for the replacement or maintenance of the goods and services employed in production. While individuals are normally paid by cheque or cash for their share in the productive process, fundamentally income consists of the goods and services purchased by means of such payments.

The work of housewives is excluded from the calculations, being classed as a non-market service in connection with a way of life rather than an economic activity. Remunerations for non-productive and illegal pursuits, useful to certain persons but disadvantageous to society, are also disregarded. Practices, such as gambling and robbery, come under this heading. Transfer payments, while included in income payments to individuals are automatically eliminated by the inclusion of the positive or negative savings of enterprises.

Capital gains and losses, charity, gifts and direct relief payments add nothing to the general flow of economic goods. A few items, on the other hand, not passing through the market are included in estimates of national income. The most important of these are the value of home-produced food consumed on the farms and imputed net rentals on owner-occupied dwellings. The market counterparts, food consumed by non-farmers and net rentals paid for tenant-occupied dwellings are used as guides in estimating prices and rates.

Sources of National Income.—The flow of income is mainly a two-way process and cannot be said to commence at any one point. Yet, as income essentially results from production, it is of interest to know which particular industrial or service groups contribute the most to the nation's economy and income. The classification of national income by productive sources (Table 2) is a logical starting point, therefore, and furnishes an important body of information.

Classification of Enterprises.—For purposes of study, thirty original classes were combined into the seven major groups, the Bureau's statistical classification with appropriate adaptations, having been followed. Primary production comprises six industries. Agriculture includes fur farming, the woods operations of the farmer on his own property and dairy activities limited to the production of milk, butter and cheese on the farm.

Forestry includes the operations of the lumber and pulp and paper industries, as well as woods operations other than those of the farmer on his woodlot. Fish-canning and curing plants in addition to primary operations are included in the fisheries group. The activities of trappers and hunters are considered in connection with the trapping industry to the exclusion of fur farming.