

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:—

$$\left. \begin{array}{l} \text{Gross Operating Revenues} \\ \text{less} \\ \text{Cost of Materials and Overhead} \\ \text{and Depreciation Charges} \end{array} \right\} = \text{NATIONAL INCOME} = \left\{ \begin{array}{l} \text{Payments to Individuals (including:} \\ \text{salaries and wages, supplementary} \\ \text{labour income, net dividends, rents} \\ \text{and withdrawals of working pro-} \\ \text{prietary, etc.)} \\ \text{plus} \\ \text{Positive or Negative Savings of Enter-} \\ \text{prises} \end{array} \right.$$

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. Remuneration 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.

Revision of Estimates.—Methods and concepts of national income estimation are under extensive revision at the present time. This work is in the hands of the Bureau's new Central Planning and Development Staff. In recent years the techniques of national accounting have grown both in usefulness and complexity and the revisions now under way are designed to take account of these developments. Co-operative arrangements have been made to secure the greatest possible comparability with the official estimates published in the United Kingdom and the United States. On the revised basis the estimates will present a set of balancing accounts for the country as a whole, showing the gross production of goods and services (Gross National Product) on the one side and the uses to which these goods and services are put (Gross National Expenditure) on the other side. Additional adaptations of these accounts will be made available for the analysis of economic problems.

Gross National Product at market prices represents the value of goods and services produced during a given year after elimination of duplication through sales of goods and services from one business to another. In other words, it evaluates the total of all end products of the economic system, including consumer goods and services and capital goods, allowing for change in inventories of raw materials and