

goods. Gross National Product at market prices is measured by adding to the total earnings of all factors of production (Net National Income at Factor Cost) an estimate of current consumption of capital (depreciation), and the amount of indirect taxes paid during the year.

Gross National Expenditure is defined to add up to the same total as Gross National Product but is estimated independently. It shows the way in which total expenditures by the community for goods and services are divided as between the government and the private sector and as between consumer goods and capital goods. Thus Gross National Expenditure is the sum of government purchases of goods and services (both capital and current), private investment at home, net investment abroad (investment in foreign countries less foreign investment in Canada) and consumer purchases. Purchases of capital equipment are included with no deduction for current consumption of capital. The value of materials and services purchased by private industry and consumed in current production is already included in the market prices of finished goods and is not counted again.

Detailed descriptions of new methods and concepts are being issued by the Bureau from time to time.

By deducting indirect taxes less subsidies, depreciation charges and other items of a similar nature, the gross national expenditure is reduced to the net national expenditure at factor cost. The latter total is equivalent theoretically to the net national income.

**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, therefore, a logical starting point and furnishes important 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.

As the final product is the first to which a commercial value is ordinarily assigned, the processing industries of smelting, cement, clay products, lime and salt are included in mining. The electric power group coincides with central electric stations as annually reported by the Bureau.

Secondary production embraces construction, manufactures, *n.e.s.*, and custom and repair. Construction covers operations as reported in recent years by the Bureau. Manufacturing production, *n.e.s.*, is exclusive of processing activities closely connected with three primary groups. As intimated above, sawmilling, and pulp and paper operations are included with forestry, fish canning and curing is a part of the fisheries industry, while smelting, cement, clay products, lime and