

investment income 18 p.c., net income of individual enterprise 19 p.c. It should be noted, however, that the fact that the relative share of each category has remained about the same provides no information as to the rate of remuneration for various types of productive service because there has been considerable change in the numbers of individuals receiving income under the various categories.

Net national income at factor cost is also useful for analysing the distribution of earnings of factors of production by regions and by industries. Sufficient information is available at present to prepare only distributions of salaries, wages and supplementary labour income and of net income of individual enterprise by provinces for the years 1938 to 1943, inclusive. These appear in Tables 3 and 4, respectively.

Gross National Product at Market Prices.—Since net national income at factor cost is a compilation of the amounts earned by factors of production for their services, it excludes certain items of cost which cannot be regarded as the return to any factor of production but which enter into market prices. These are indirect taxes, such as sales and excise taxes, less subsidies paid to producers by governments which permit production costs to run ahead of revenues from sales (Table 1, item 6), and appropriations for depreciation and similar business reserves (Table 1, item 7). To arrive at gross national product at market prices, these items are added to net national income at factor cost.

Gross national product at market prices is thus defined as the value of all final goods and services produced in any year measured through a compilation of all costs involved in production. By final goods and services are meant all consumer goods and services purchased directly by individuals or by governments on behalf of the community, and all goods and services used to increase inventories or to maintain or increase the country's stock of capital equipment. Intermediate goods and services purchased by one business from another and used up in the process of production do not need to be counted specifically as they are automatically included in the value of final goods and services.

Since gross national product covers all productive economic activities that take place in the country, it provides useful information about the development and potentialities of the economy as a whole. The tremendous expansion in production which has taken place as a result of the stimulus of wartime demand is illustrated by the increase of gross national product from \$5,075,000,000 in 1938 to \$11,771,000,000 in 1944—an increase of 132 p.c. It must be noted, however, that this expansion reflects increase in price as well as growth in real production. With existing information it is not possible to judge precisely how much of the increment in gross national product is due to rising prices and how much to growth in the physical volume of production. Some indication can, however, be obtained from the fact that the index of wholesale prices went up 30 p.c. while the index of retail prices increased 22 p.c. and the cost-of-living index 16 p.c.

Gross National Expenditure at Market Prices.—Gross national expenditure is defined as the value of all final goods and services produced in any given year measured through a compilation of the sales of these goods and services. Thus it measures the same total as gross national product but in a different way. It is termed "gross" because no deduction is made for replacement of existing capital equipment which is used up through "wear and tear" and obsolescence in the course of production.