

All components of the national income are included before deduction of income taxes. The total is equivalent to the net value of production and its movement over a period of time provides an excellent indicator of economic conditions. The national income expanded from \$3,940,000,000 in 1938 to \$9,685,000,000 in 1944, an increase of 146 p.c. In the transition from a wartime to a peacetime economy, the aggregate dropped slightly to \$9,212,000,000 in 1946 which was still 134 p.c. above the 1938 level. This high level of peacetime economic activity is a reflection of the great advance made during the War in employment and industrial production, but it should be remembered that this expansion reflects increase in price as well as growth in real production.

The classification of the national income by distributive shares provides interesting and useful information. The four main components shown in Table 1 are salaries and wages, military pay and allowances, investment income and net income of unincorporated business, agricultural and other. Salaries and wages and military pay and allowances were responsible for 61 p.c. of the total, on the average, over the period 1938 to 1946 inclusive, while investment income accounted for 20 p.c. and net income of unincorporated business for 19 p.c. These proportions varied slightly from year to year but not sufficiently to be significant. It should be noted that the small change in the relative share of each category provides, by itself, no information as to changes in earnings *per capita* for various types of productive service. For example, an increase in salaries and wages might be due to an increase in the number of people employed, while a proportionate change in investment income or in net income of unincorporated business might accrue to a constant or diminishing number of people. In short, it is necessary to know the number of individuals receiving income in each category before *per capita* income in these categories can be determined.

Even this additional information would not enable us to determine changes in the *size distribution* of income from the changes in income shares. There are wide differences in the size of individual receipts within each income category. In the total of salaries, wages and supplementary labour income are included individuals who receive a salary of, say, \$20,000 and individuals receiving a wage of \$1,000. Moreover, many individuals receive more than one type of income, since an individual drawing a salary may also receive dividends from stocks or interest on bonds.

It would be useful to classify national income 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 unincorporated business, agricultural and other, by provinces for the years 1938 to 1944, inclusive. Figures for 1939 to 1944 appear in Tables 3 and 4, respectively.

Gross National Product at Market Prices.—Gross national product differs from national income in that it includes depreciation allowances and indirect taxes as it is measured at market prices.

The market value of the goods and services produced annually can be divided into various costs of production, including profits. Gross national product at market prices is defined as the value of all goods and services produced in a year by the labour, capital and enterprise of Canadian residents measured through a consolidated national accounting of all *costs* involved in their production. These costs include labour income, investment income and net income of unincorporated business, that is, the aggregate of national income, and, in addition, net indirect taxes and depreciation allowances. Indirect taxes, such as sales taxes, excise and