real property taxes are treated as business costs and must, therefore, be included. Certain subsidies paid by governments are regarded as enabling the general public to buy goods and services at less than the prices that would otherwise prevail, or as supporting the earnings of producers. Subsidies benefiting the public in this way are consequently treated as offsets to indirect taxes collected by the government. Annual depreciation and similar business reserves are elements of business cost and are necessarily added to obtain the gross national product at market prices.

Purchases of raw materials and other goods and services by one business from another are not added, as such, in this compilation. The production of these goods and services involves costs that are already counted in the general compilation of all costs of production. From this point of view, gross national product is said to be a *consolidated* total.

Since the gross national product covers all productive economic activities, it provides useful information about the development of the economy as a whole. It is important by itself and in relation to national income. The tremendous expansion in production that 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. Preliminary estimates for 1946 indicate that the total was $11,129,000,000, or 119 p.c. above the 1938 level. It must be noted, however, that the gross national product, like the national income, is measured in current dollars. It is, therefore, affected by price changes as well as by changes in real production. With existing information, it is not possible to judge precisely how much of the change in gross national product is due to rising prices and how much to change in real production. Some indication can, however, be obtained from the fact that from 1938 to 1946 the index of wholesale prices went up 38 p.c. while the cost of living increased 21 p.c.

Gross National Expenditure at Market Prices.—The goods and services produced in a period must be disposed of in some way: they are either sold at home or abroad, or added to inventories. Gross national expenditure is defined as the market value of all goods and services produced by the labour, capital and enterprise of Canadian residents in a year, measured through a consolidated national accounting of the *sales* of these goods and services, including changes in inventories. Thus it measures the same total as gross national product but in a different way.

If all enterprises were to publish accurate accounts on a uniform basis, the two statistical totals—gross national product and gross national expenditure—would, in fact, be equal. These conditions are not fulfilled in practice. National accounts must summarize transactions of enterprises that do not all keep accurate accounts on the same basis, together with transactions of households, farms and small concerns that may not keep accounts at all. For these and other reasons some discrepancy between the two sides is inevitable but, considering the over-all magnitudes involved, it is interesting to note how close a balance is achieved.

Gross national expenditure can be divided into four main components: (1) consumer expenditure; (2) government expenditure; (3) gross investment at home (business expenditure on capital account); and (4) net foreign expenditure.