Consumer expenditure (personal expenditure on consumer goods and services, Table 2, item 1) comprises expenditure of Canadian residents on consumer goods and services as ordinarily understood except that expenditure on housing is excluded and added to gross investment at home. Other consumer durables such as automobiles and refrigerators are included in consumer expenditure.

Government expenditure (Table 2, item 2) includes all expenditures on goods and services by the Federal, Provincial and Municipal Governments. The total falls into two broad groups: (1) Government expenditure on services (measured by salaries, wages and interest); and (2) Government purchases of the products of business. Expenditure for war and non-war purposes is shown separately. It is to be noted that government outlays other than for goods and services are not included here—for example, family allowances and veteran gratuities.

Gross investment at home (Table 2, item 3) is divided into: (1) expenditure on new plant and equipment, including residential and commercial construction as well as expenditure for replacement of existing plant and equipment; and (2) the net change in inventories. Investment by government enterprises, such as the Canadian National Railways and Hydro-Electric Power Commission of Ontario, is included here.

Sales to consumers, to business, to government and to foreigners contain the value of goods and services imported from abroad. In so far as imports are the product of the labour, capital and enterprise of foreigners and not of Canadian residents, they must be excluded from gross national expenditure. This is accomplished by subtracting current expenditure abroad (including investment income paid abroad). On the other hand, current receipts from abroad (including investment income received from abroad) are included in gross national expenditure. The effect of these last two adjustments is to include in gross national expenditure only, the net foreign balance on current account (Table 2, item 4 minus item 5).

Sales between businesses of raw materials and other goods are not counted as such because they are already accounted for in the market valuation of the components outlined above. For example, the market price of an automobile sold by firm A includes the value of tires bought from firm B. The value of these tires is not included again in arriving at gross national expenditure. From this point of view, the sales included in gross national expenditure are said to be *consolidated*.

Analysis of the distribution of national expenditure, as portrayed in Table 2, reveals the tremendous wartime expansion in the share of the country's output absorbed by government expenditure and the extent to which this expansion was based on military requirements. In 1938, government purchases amounted to 14 p.c. of national expenditure. In 1944, the proportion increased to 43 p.c. In the transition year 1946, government wartime expenditures were drastically reduced. The decline was offset in large part by the expenditures of consumers and business, while exports, bolstered by government loans, were maintained at a high level. Consumer expenditure increased because of diminution of wartime savings programs, the greater availability of goods and a substantial rise in personal income (see p. 944). Business spent large amounts for reconverting plant and equipment and for replen-