

ishing depleted inventories. The problem for the future is whether effective demand will remain at a high enough level in the non-government sectors, in the form of consumer expenditure, business investment and exports, to continue to balance the decline in government expenditure. This is of primary importance in maintaining full employment.

Personal Income.—A portion of the national income is not paid out to individuals. Undistributed profits, corporate profit taxes and profits of government enterprises are included in this portion. The remainder of the national income is paid out to persons in the form of salaries and wages, net income of unincorporated business, agricultural and other, rents, dividends, and the like. When the paid-out portion of the national income is added to those personal receipts that do not represent payments for productive operations (i.e., transfer payments), the aggregate known as "personal income" is obtained.

In 1938, personal income amounted to \$3,973,000,000, while in 1945 it was \$8,814,000,000, an increase of 122 p.c. In the transitional year 1946, the figure rose to \$9,172,000,000. The rise in 1946 was due largely to the increase in transfer payments by the Government to individuals in the form of war-service gratuities, re-establishment credits, and family allowances.

A part of personal income is absorbed by direct taxes, part is spent on consumer goods and services while the remainder is saved. The aggregate of personal income less direct taxes is known as "disposable income" Consumer expenditure depends on a number of factors including the size of past savings, credit facilities and the price level. But it depends most of all on disposable income. Accordingly, this aggregate is very useful in forecasting the size of gross national product and employment. A table giving the disposition of personal income between taxes, consumer expenditures and savings is in course of preparation.

1.—Net National Income at Factor Cost and Gross National Product at Market Prices, 1939-46

NOTE.—Figures for 1938 are given at p. 877 of the 1946 Year Book.

(Millions of Dollars)

Item	1939	1940	1941	1942	1943	1944	1945 ¹	1946 ²
Salaries, wages and supplementary labour income.....	2,540	2,860	3,529	4,233	4,790	4,969	4,865	5,112
Military pay and allowances.....	32	193	386	641	910	1,068	1,132	315
Investment income.....	782	1,110	1,518	1,765	1,809	1,785	1,916	1,776
Net income of unincorporated business, agricultural and other..	867	949	1,081	1,638	1,560	1,863	1,674	2,009
Totals, Net National Income at Factor Cost.....	4,221	5,112	6,514	8,277	9,069	9,685	9,587	9,212
Indirect taxes less subsidies.....	743	843	1,062	1,092	1,125	1,125	1,006	1,237
Depreciation allowances and similar business costs.....	528	581	684	771	819	771	711	756
Residual error of estimate for reconciliation with Table 2.....	+3	+92	+75	+156	+111	+190	+174	-76
Totals, Gross National Product at Market Prices.....	5,495	6,628	8,335	10,296	11,124	11,771	11,478	11,129

¹ Subject to revision.

² Preliminary.