way of measuring these goods and services is to add together all sales and to adjust them for imports and changes in inventories. The total thus obtained is called gross national expenditure.

What is produced must either be sold or added to the inventories. Four broad types of sales can be distinguished: sales to persons, to governments, to business for capital account (capital formation at home including changes in inventories); and to foreigners (exports). The total of these sales includes imports of goods and services. Since the purpose is to measure only production of labour and capital of Canadian residents, imports of goods and services are deducted.

Thus national expenditure indicates the manner in which annual output is utilized. In 1928, spending by persons on consumer goods and services absorbed approximately 70 p.c. of the output while government expenditure on goods and services accounted for about 10 p.c. and investment in Canada in plant, equipment, housing and inventories for about 19 p.c. In 1933, during the depth of the depression, the percentages changed significantly to about 82 p.c., 15 p.c. and 3 p.c., respectively. The pattern of 1939, the last pre-war year, returned approximately to that of 1928, 69 p.c., 13 p.c. and 16 p.c. The tremendous expansion in output during the war years was absorbed in large part by Government expenditure for military purposes so that consumer spending in 1944 absorbed only 53 p.c. of total output, while Government spending accounted for 43 p.c. Investment expenditure was relatively small. By 1947, the pattern had again changed markedly. Reduced Government spending was more than offset by increased consumer spending which absorbed 66 p.c. of the nation's output and a phenomenally high level of investment which absorbed 22 p c.—the highest percentage since 1926.

Personal Income.—Some earnings which arise in the course of production are not paid out to persons, e.g., undistributed profits, Government trading profits, etc. On the other hand, some incomes received by persons are not compensation for current production, e.g., unemployment insurance benefits. Personal income is the sum of current receipts of income whether or not these receipts are earnings from production. Thus it includes salaries and wages, net income of unincorporated enterprise, interest, dividends and net rentals of persons, and transfer payments from governments such as family allowances, unemployment insurance benefits and war service gratuities. Table 3 indicates that personal income was at a pre-war peak of $4,547,000,000 in 1928. It began to drop in 1929 and reached a low of $2,758,000,000 in 1933. It then turned upwards and reached $4,291,000,000 in 1939. This trend was accelerated during the War and the post-war period and personal income reached an all time high of $10,279,000,000 in 1947.

Two things should be kept in mind in interpreting these figures: first, the fluctuations in the figures must be related to the purchasing power of the dollar—an increase in the price level lowers income in real terms while a decrease raises it. Secondly, the amount at the disposal of persons for spending and saving is not the whole of personal income but only the portion that remains after payment of direct taxes. This aggregate is commonly referred to as disposable income.