

National Income.—Net national income at factor cost or, more briefly, national income, is the income currently earned by persons in productive pursuits, whether their services are rendered to business, to governments or directly to the consuming public. It includes the earnings of residents of Canada from the current year's production of goods and services, that is, the sum of salaries and wages, supplementary labour income (employer contributions to unemployment insurance, pension funds, Workmen's Compensation funds and income in kind, etc.), profits, interest, net rent and net income of agriculture and other unincorporated business.

Gross National Product.—Gross national product is the market value of all final goods and services produced in the year. It is equal to national income plus net indirect taxes (indirect taxes less subsidies), plus depreciation allowances and similar business costs.

Gross National Expenditure.—Gross national expenditure measures the same aggregate as gross national product, namely, the total production of final goods and services at market prices. However, gross national product is measured in terms of costs, whereas gross national expenditure is obtained by adding together all sales and adjusting them for imports and changes in inventories. Four broad types of sales can be distinguished: sales to persons, to governments, to business on capital account (gross domestic investment including changes in inventories), and to non-residents (exports). The total of these sales includes imports of goods and services but, as the purpose is to measure only domestic production, imports of goods and services, including net payments of interest and dividends to non-residents, are deducted.

Personal Income.—Personal income is the sum of current receipts of income whether or not these receipts represent earnings from production. Thus, it includes (in addition to salaries and wages, net income of unincorporated business, interest and dividends and net rental income of persons) transfer payments from governments, such as family allowances, unemployment insurance benefits and war service gratuities. It does not include undistributed profits of corporations and other elements of the national income not paid out to persons.

Historical Perspective.—Between 1926 and 1951—slightly less than a generation—gross national product increased fourfold in value. A substantial part of this apparent growth was the result of rising prices; however, it will be seen from Table 3 that the growth in physical production was 140 p.c. The population of Canada in this period increased by 48 p.c. so that the per capita growth in physical product was over 60 p.c., an indication of the growth in living standards and prosperity that occurred during this period. This increase is the more remarkable in the light of the disastrous set-back suffered during the depression years and the more recent decline in the average hours worked weekly in industry. In 1933, at the depth of the depression, per capita real production registered a decline of one-third as compared with the relatively prosperous year of 1929.

The historical series reveal many other interesting features of the economy including, among others: the relative stability of the portion of total income going to labour in the form of wages and salaries as opposed to the instability of farm and investment incomes (Table 4); the increasing significance of government spending in the economy as opposed to the declining importance of exports (Table 2); the