

and the like, have added to the income flow. Even with farm income included, total personal income accruing to Canadians has not declined. Moreover, personal income tax payments have been lower, thus increasing the proportion of total income retained by individuals. After taking account of population increase, the average income per capita, whether expressed in money or in terms of goods and services, declined but slightly in 1954.

Personal savings have shown some decrease, reflecting primarily the reduction in income of prairie farmers, and there has been some shift towards more liquid types of saving. Per capita expenditure on consumer goods and services during 1954 has remained about the same as in the previous year. So far as average living standards are concerned, the recent adjustment in general business conditions has had no greater effect than to cause a levelling off, following the unusually sharp improvement of the preceding two or three years.

NATURE OF THE RECENT BUSINESS DECLINE

Broadly speaking, the recent business decline in the United States and Canada appears to have developed as an aftermath of the abnormal activity connected with the previous defence build-up and related demands. During the defence build-up, many industries were hard pressed to meet not only the normal requirements of a full employment economy but in addition a mounting volume of defence needs. This situation brought forth new expansion programmes as the production machine geared itself to meet this double load. As the defence programme passed its peak, excessive capacity began to appear in a number of industries. Supplies became easier, and within a short period of time the general concern about having inadequate supplies of raw materials changed to one of apprehension over being caught with excessive inventories. Thus, by the last quarter of 1953, many industries had started to draw down stocks which only a few months previously they had been building up in anticipation of tighter market conditions.

This trend of events, though not characteristic of all industries, was sufficiently widespread to bring about a perceptible slow-down in the placing of orders and in business purchasing, quite apart from any change in final demands. In both the United States and Canada, a major portion of the decline in overall demand from the peak level reached in the summer of 1953 may be called an inventory recession resulting from the fact that businesses had either stopped building up stocks or were drawing down existing stocks to meet current orders.

In the United States, a substantial reduction in the level of outlays for national security also contributed significantly to the decline in overall demand. The effect of this reduction in defence outlays was counteracted to some extent by a continuing federal deficit, which had a sustaining influence on other demands in the United States economy.