The kind of things that we produce - the things that reate employment - can be classified conveniently as follows:

- Consumer goods is the most important and accounts for about half of our total national output. (By 'national output' I mean our own Canadian production plus imported goods in raw or finished form.)

- Exports are next in importance and constitute about 20% of our national output with some variation reflecting the uncertainties of the world market.

- Investment goods, such as plant, equipment, housing and inventories, account for 15 - 20% of our national output, which incidentally is considerably more than it was immediately before the war and is a highly variable figure.

- Government services absorb about 10% of our national output and while this is the smallest portion they are of particular interest in the control of fluctuations in business activity.

Each of these classifications deserves examination in some etail, but first it is useful to ask: Why are these goods and services produced? here does the demand come from? How assured and steady is the demand and onsequent employment?

The sort of demand which most readily comes to mind is ersonal demand for those things, consumer goods, on which people choose to spend heir incomes - incomes, that is, after the government has had its slice of income nd other direct taxes. In 1947 the picture looked something like this:

	$ millions	%
Personal Income (salaries, interest, etc.) after deducting direct taxes of $786 millions left total disposal income of	9,493	100.0
Spent on Consumer Goods	8,888	93
Saved	605	7

he proportion of their incomes which people spend varies a good deal from time o time and has varied a great deal in recent years. During the war when onsumer goods were scarce and when the patriotic pressure to save was at its eight, consumers saved almost one-quarter of what they had left after paying ncome and other direct taxes. Since then the supply of consumer goods has ncreased notably, the cost of living has grown and consumers have now reverted o their pre-war habits of saving around 7% of their incomes after taxes.

The demand for investment goods comes primarily from business equiring additional plant, machinery and inventory with which to turn out inished goods. The sources from which this is financed are of particular interest. t is believed that now about two-thirds of the funds required for corporate nvestment come from within the corporation group itself out of sums set aside or depreciation reserves and undistributed profits. It often happens that both he saving and the investing occur within the same corporation and this goes far o explain why the new-issue market though active has not reflected the full easure of the investment boom in recent years. The balance of the savings equired comes from persons either directly or through insurance companies or ther savings institutions, but it is interesting to note that personal savings n 1947 totalled only about $605 mm. compared with corporation savings of $1,536 mm.

....../3