

the bequests by the residents of either country to residents of the other and the losses through bankruptcies.

Nevertheless, it has been considered well worth while to make as close an estimate as possible of the balance of the international payments of the Dominion for 1920 and subsequent years, and the figures for the years 1925 to 1927 are presented in Table 38.¹ It is expected that with greater experience the technique may be improved, and the margin of error reduced to the minimum. The figures now given, approximate as they are, serve to show the great improvement in the financial position of Canada since 1920.

In 1920 the Dominion's commodity balance of trade was "unfavourable" to the extent of about \$24 millions, but each subsequent year has shown a "favourable" balance of trade in commodities. When the totality of transactions in 1920 is taken into account as far as possible, the excess on the import side of our account was \$268 millions, while in 1921 and 1922 the excesses on the same side were \$137 millions and \$68 millions respectively. (A chief reason for the "adverse" balance in these years was that we were then being repaid amounts advanced to the United Kingdom during the war, there being a net withdrawal from the United Kingdom of \$104 millions in 1920, \$128 millions in 1921 and \$84 millions in 1922.)

In 1923 there was a change, with a surplus of \$45 millions shown on the export side, in spite of further repayments of \$52 millions by the United Kingdom. In 1924 the surplus increased to \$108 millions and in 1925 to \$277 millions, while in 1926 it fell to \$191 millions. In these years Canadian insurance companies were purchasing large amounts of foreign securities, Canadians were making additional further direct investments, principally in South America and the United States, and we were buying back from abroad our own securities or purchasing foreign securities, principally on the New York stock exchange. In addition, the Canadian banks increased very largely the sums of money they had abroad on call.

These exports were the result of abundant funds accumulating in the Dominion owing to three causes. In the first place there had come into the country during the war about \$1,250 millions through the purchase of our commodities at high prices; this was seeking an investment outlet. In the second place, the large investment of United States capital in the Dominion from 1914 to 1920 was now increasing the nation's output. In the third place, successive large harvests were a foundation of prosperity. These factors, combined, caused an unprecedented accumulation of savings which was used by financial institutions and individuals not only to finance domestic capital needs, but also to avail themselves of opportunities for profitable investment abroad. Thus after 1923 we had on balance an export of capital to our credit, though at the same time other countries, particularly the United States, continued to invest large sums in the Dominion.

For the years 1925 to 1927 a direct estimate of net capital movement has been made, as shown towards the end of the balance sheet. It will be observed that the direct and indirect results do not agree, there being a difference due to errors and omissions of more than \$60 millions in each year. It is impossible to say which amount is nearer the truth, but it is probable that the correct figure lies between the two. The results arrived at by both methods indicate a large export of capital in 1925 and a smaller export in 1926 and 1927, the decline in these later years being doubtless due to increasing opportunities at home. As the technique of collecting these statistics is improved, the discrepancies between the results obtained from the application of the direct and the indirect methods will be reduced.

¹ For the figures for 1920-24, see pp. 601-602 of the 1929 Year Book.