In contrast to this there were unfavourable balances in 1929 and 1930, considering both visible and invisible items, of $65,000,000 and $159,000,000 respectively, while in 1931 the balance was favourable by about $28,000,000. In the light of all available information, it appears that the balances in 1929 and 1930 represented a net movement of capital into Canada for investment, while that of 1931 represented a net movement outwards. In the latter year, however, the capital export appears to have been in the main not for investment but for the purpose of retiring maturing issues and for repurchases.

Unfortunately, the statistics of current capital movements leave much to be desired, but such as do exist point clearly to the conclusion that there was a movement, on balance, of short and long term funds into Canada in 1929. Short term funds employed by the chartered banks largely in New York, fell from $188,000,000 at the beginning of 1929 to $98,000,000 at the end of the year. There was also a considerable repatriation of private short term capital, though no definite information is available as to its amount. The conclusion is warranted that Canadian holdings abroad acted as a shock absorber in reducing the effects of the maladjustment in Canada's balance of payments in 1929, and that the remainder of the task was performed by an inward movement of foreign capital. In 1930 the inflow of foreign capital for investment appears to have played a larger part in the balance of payments, although there was again some repatriation of Canadian funds. The fluctuations of exchange resulting in a net inward movement of gold, the first since 1925, indicated a demand for Canadian funds. In view of the fact that the balance of payments, exclusive of the capital items, was severely against the Dominion, the only means by which this demand could be created was through a considerable influx of capital.

In 1931 the situation with regard to international transactions had undergone another considerable change. The unfavourable commodity balance was reduced to less than $4,000,000. The invisible unfavourable balance (all items exclusive of commodities, gold and capital) was $36,000,000, an adverse total of $40,000,000. There was a net gold export of $68,000,000. The gold movement, therefore, offset the deficit of $40,000,000, and, supposing no errors or omissions in the statement, allowed for a capital export of approximately $28,000,000. Available evidence indicates that this amount consisted in the main of repayment, retirement and repurchase of Canadian securities held abroad.

Declines in the amounts of various items of the statement since 1929 indicate the tremendous effect wrought by the depression upon Canada's international transactions in goods and services. Merchandise exports fell from $1,200,000,000 in 1929 to $608,000,000 in 1931. While a large proportion of the decline is explainable in terms of lower price levels, it does represent a huge falling-off in volume. An excellent illustration of the special difficulties presented to Canada by the slump in world prices, is seen in a table of index numbers of imports and exports (pp. 595-596) which shows that Canada, in common with most countries whose exports consist largely of primary products, suffered a greater reduction in the prices of her export commodities than was characteristic of the prices of imported goods. In other words, the purchasing power of Canada's exports declined drastically in 1930, export prices based on declared values in that year declining 17·8 p.c., while import prices declined only 1·4 p.c. From 1926 to 1932 export prices declined 56·2 p.c. compared to a decline in import prices of 37·6 p.c.