Until the depression made itself felt in 1930, there was a steady increase in the amounts spent both by tourists from other countries in Canada and by Canadians in other countries. During the years 1930-32 the tourist trade, in spite of successive declines, exhibited a surprising vitality as compared with the generally depressed state of trade and industry. In each of these years the expenditures of tourists in Canada (and in the latter two the balance after deducting the corresponding expenditures of Canadians in foreign countries) constituted an "invisible" export of greater value than any single commodity exported. A marked contraction in both volume of travel and tourist expenditures occurred in 1933, reflecting the cumulative effects of the low level of economic activity in recent years, the general lowering of incomes and the intensification of "depression" psychology. Data at present available indicate a fairly substantial increase in tourist revenues in 1934.

Section 5.—Balance of International Payments 1920-32.*

"Balance of Trade" figures are frequently misinterpreted owing to the persistence of the doctrine long ago exploded that a nation's trade is necessarily in a healthy state when exports exceed imports, necessitating an import of gold to make up the difference. Trade was then said to show a "favourable" balance. This theory only took account of the "visible" or commodity items of trade, whereas the true balance of a nation's trade can only be known when not only the commodity items are considered, but also the "invisible" items such as interest, freight, immigrant remittances, financial services, tourist traffic, etc. In short, all debit and credit transactions must be set down in order to find out the true balance. If all the visible and invisible items are thus tabulated the debit or credit difference will be a final invisible item—capital import or export—and this will bring the nation's trade account into a state of balance. Thus, the commodity trade balance of a country cannot be understood by itself but only as it is interpreted in the light of the invisible items of a country's international transactions. In the light of such data, it will be found that a so-called favourable or unfavourable balance will mean an entirely different thing at different times in a country's history. The balance of international payments, which takes account not only of commodity trade but of all transactions, reveals the meaning of the trade balance. It shows, for example, that in 1920, 1921 and 1922 our international accounts were balanced by large imports of capital, although our commodity trade balance was favourable in 1920 and 1922. During these years Britain repaid us war funds as follows: 1920, $104,000,000; 1921, $128,000,000; 1922, $84,000,000. From 1923-28, however, the international accounts show a credit balance after allowing for interest payments and maturities, thus denoting capital exports. In these years Canada became temporarily a capital-exporting country. In these latter years, therefore, the explanation of our favourable commodity trade balance was quite different from that for the period, 1894 to 1903, when it was explained by payments of interest and maturities.

From the foregoing it will be seen that an estimated balance of international payments is indispensable to the understanding of trade accounts. It has, however, a great many other important uses, among which the following may be mentioned: (1) to give a comprehensive picture of our international debits and credits and how they are balanced; (2) to show the extent of our international borrowings and lend-

*Abridged from the annual report "Canada's Balance of International Payments", by Herbert Marshall, B.A., F.S.S., Chief of the Internal Trade Branch of the Dominion Bureau of Statistics. This report includes explanatory data on the methods followed in computing these statistics.