ings; (3) to show the magnitude of individual invisible items, such as interest, freights, tourist traffic, etc., in our international transactions; (4) to explain exchange disturbances and the effect of international financial difficulties; and (5) to furnish data for guidance in the formulation of international fiscal, financial and commercial policy.

As already stated, in the years from 1923 to 1928 Canada became temporarily a capital-exporting country. This was 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 $1,250,000,000 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 at relatively high world prices 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. The prolonged and extravagant "bull" market in the New York and other United States' stock exchanges culminating in the early summer of 1929, and the high interest rates prevailing in those markets, attracted enormous sums to the United States from other countries, including Canada. Thus from 1923 to 1928 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. 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 those of 1931 and 1932 represented a net movement outwards. In the last-named 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. A more detailed discussion of the balance of payments in these years will be found at pp. 600-601 of the 1933 Year Book.

In 1933 credit balances of $146 million for commodities, $92 million for gold, $60 million for tourist trade, amounting in all to $298 million, were more than sufficient to meet net debits of $225 million for interest, $15 million for freight, and $9 million for exchange, totalling $249 million. Minor invisible items showed a net debit of $8 million. The total net credit, exclusive of capital, was approximately $40 million which, plus a net credit of approximately $62 million, representing capital inflow, makes a total of $102 million for which no debit items appear. An error and omission estimate is therefore added to bring the two sides of the international accounts into balance.

In 1934 it will be noted that the debit for interest and dividend payments was $230 million. Maturity payments were $75 million. These two items together amount to $305 million. Commodity, tourist and gold credit balances totalled $323 million and these, less $18 million, were required to meet the interest, dividends and maturities. The balance of $18 million just about offset a freight deficit of $21 million. Remaining debits amounting to $10 million plus the $48¾ million debit for untraced items (errors and omissions) were balanced by sundry credits of $6½ million plus capital credits on the sale and purchase of securities and direct investments.