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 and, 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 lendings; (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.

The Dominion Bureau of Statistics has recently completed a comprehensive study of the Canadian balance of international payments between 1926 and 1936 and it is, consequently, now possible to draw up for this period revised statements of the balance of payments which incorporate new information that has become available.†

Of special importance are the data that have been collected on the movement of capital between Canada and other countries during the period. These movements of capital have been analyzed in detail and presented in the capital account. Viewing the period as a whole, one of the more outstanding results of Canada's international capital transactions has been the extent to which outward movements of capital have offset inward movements. In the ten years between 1927 and 1936 Canadian governments and corporations received $1,978,600,000 from the sale of

*It is impossible to obtain absolute completeness and accuracy in estimates of invisible items; hence, part of the difference will be due to errors and omissions.

†"The Canadian Balance of International Payments, 1926-1936", published by and obtainable from the Dominion Bureau of Statistics.