

was devoted to the repatriation of Canadian securities held in the United Kingdom, in order to provide the latter with Canadian dollars as explained above, about \$28,000,000 was for meeting maturing obligations in Canada, and the remaining \$80,000,000 was available for meeting current expenses.

By January it was considered that production incomes and savings had expanded sufficiently to ensure the success of a large public loan, and consequently the First War Loan was announced on Jan. 12. It took the form of $3\frac{1}{4}$ p.c. bonds, issued at par, redeemable by lot over the five years 1948 to 1952, at par the years 1948 to 1950, at a premium of $\frac{1}{2}$ p.c. in 1951 and 1 p.c. in 1952. The amount offered for cash subscriptions was limited to \$200,000,000 but the bonds were also offered in conversion for an issue maturing Mar. 1, 1940. Subscription lists were opened on Jan. 14, and the issue was oversubscribed within two days, but the lists were kept open until Jan. 19 to permit reception of subscriptions from distant points. Total cash subscriptions amounted to \$321,276,850, and conversion subscriptions to \$53,300,000. The amount allotted for cash subscriptions was \$200,000,000 and for conversion \$50,000,000. The total number of subscriptions received was more than 178,000, and nearly 46 p.c. was subscribed for in amounts of \$5,000 or less.

In the latter part of May a National Savings campaign was launched for the sale of War Savings Certificates and War Savings Stamps. The Certificates are offered in denominations of \$5, \$10, \$25, \$50, and \$100, and are sold for four-fifths of the face value. They mature in $7\frac{1}{2}$ years, which gives a return of 25 p.c. on the money invested, amounting to 3 p.c. per year compound interest. The Stamps and Certificates are on sale by post offices, banks, many stores, and other dealers throughout the country. Special arrangements have been made to enable employees to purchase these Saving Certificates by regular deductions from their wages or salaries.

When Parliament assembled in May, a War Appropriation of \$700,000,000 was passed to meet the costs in 1940-41 of the greatly extended war effort. The Minister of Finance later stated in his Budget Speech that war expenditures during the fiscal year would probably exceed that figure and amount to \$850,000,000 or \$900,000,000. Estimates submitted to Parliament for other expenditures amounted to \$448,000,000, showing a substantial reduction from the corresponding figure of \$525,000,000 in the previous year. The second War Budget, brought down on June 24, provided for substantial increases in taxes to meet a portion of these additional costs of war. The graduated rates of the personal income tax were raised very substantially and exemption limits were reduced from \$1,000 to \$750 for single persons and from \$2,000 to \$1,500 for married persons. A National Defence Tax was introduced applying to married persons with incomes over \$1,200 and amounting to 2 p.c. of total income; for single persons the tax was to be 2 p.c. of income if the total annual income was more than \$600 but less than \$1,200, and 3 p.c. if total income was more than \$1,200. So far as possible this tax was to be deducted at the source. The Excess Profits Tax was entirely revised and made much more severe. In order to conserve exchange, a War Exchange Tax of 10 p.c. was imposed on all imports except those from the Empire. The excise tax on automobiles was made much more severe and steeply graduated in the upper brackets. The Minister of Finance estimated that these, and the other less important changes, would produce an increase of \$280,000,000 in tax revenue in a full year. The over-all deficit for the fiscal year 1940-41 was set at about \$550,000,000 or \$600,000,000 if war expenditures amounted to \$850,000,000 or \$900,000,000.

Among the most important financial war measures has been the establishment and operations of the Foreign Exchange Control Board. The Board was established and its powers defined in an Order in Council of Sept. 15 and control began the next