

exchange for Canadian securities formerly owned there; the remainder was simply transferred to the United Kingdom in exchange for sterling balances accumulated to Canada's credit in London.

In the third War Budget (Apr. 29, 1941) it was necessary to make provision for war expenditures in the fiscal year 1941-42, that were expected to reach as much as \$1,450,000,000, and for other expenditures of \$468,000,000, while in the same year it was anticipated that financial assistance to the United Kingdom, out of current Canadian incomes, would require \$800,000,000 or \$900,000,000. Taxes were again increased very substantially, particularly personal and corporate income taxes and the National Defence Tax. A new tax in the form of a Dominion succession duty was introduced. An offer was extended to all Provincial Governments to enable them to vacate the personal and corporate income tax field for the duration of the war without loss of revenue. It was estimated that, including the new taxes, total Dominion revenues for the fiscal year 1941-42 would amount to \$1,400,000,000.

It has been necessary for the Dominion to borrow large sums in order to meet that part of its own war expenditures which cannot be met even by heavy taxation, and also to provide funds to Great Britain. There have been five distinct borrowing operations in addition to the continuing and important War Savings Campaign and the receipts of non-interest-bearing loans from public-spirited citizens. In October, 1939, a short-term loan of \$200,000,000 was obtained from the banking system, to facilitate the rapid economic expansion that was necessary in the early months of the war. In January, 1940, the First War Loan was issued to the public, to obtain \$200,000,000 in cash, as well as in conversion for a maturing issue. It was very rapidly over-subscribed. In September, 1940, the Second War Loan was offered for \$300,000,000 in cash as well as in conversion for another maturing issue. This, too, was over-subscribed, though less rapidly. In January, 1941, another short-term loan was obtained from the banking system, in the amount of \$250,000,000, and in the form of 2½-year notes sold to yield 1 5/8 p.c. The great and unprecedented expansion of employment and production in Canada which was still proceeding at this time made this further bank-financing possible without inflationary effects. It should be added that an issue of \$325,000,000 in Dominion securities was sold to the Bank of Canada in May, 1940, for foreign exchange purposes, but this essentially involved an exchange of assets rather than a normal borrowing operation.

The Victory Loan of 1941, issued in June, was much larger than the earlier loans and was carried out by a nation-wide organization, extending into every community in Canada. The initial objective was a total cash subscription of \$600,000,000 (in addition to conversion subscriptions for an issue maturing in November, 1941). A choice of two maturities was offered: 10-year bonds to yield 3.09 p.c., and 5½-year bonds to yield 2.19 p.c. After steady progress during the three-week campaign, total cash subscriptions finally reached the amount of \$737,071,950. There were also conversion subscriptions of \$104,096,050. The total number of subscribers was 948,001.

In order to deal with foreign-exchange problems during the War, the Foreign Exchange Control Board was established on Sept. 15, 1939, with powers to regulate transactions between residents of Canada and non-residents. A full account of the purposes, organization and activities of this Board is given at pp. 833-835. It might be pointed out here that, in addition to the actions and policies carried out by the Board, including the restriction of exports of capital from Canada and the restriction of the use of foreign exchange for pleasure travel, other measures have been taken by the Government to meet the shortage of exchange. The most