

to enable the British Government to purchase in Canada foodstuffs, raw materials, munitions and other war supplies and to defray other expenses incurred in Canada arising out of the War. The legislation also provided for the conversion of the equivalent of \$700,000,000 of the accumulation of sterling balances into a loan of \$700,000,000 to the British Government. At about the same time further reductions in the remaining sterling balances were effected by the repatriation of approximately \$295,000,000 additional Canadian securities. This amount, added to the total of previous official repatriations of about \$400,000,000, brought the total official repatriations of securities to approximately \$695,000,000, according to the Minister of Finance, in his speech in the House of Commons introducing the bill providing for the gift and loan.

Changes in the balance of long-term indebtedness between Canada and the United States since the start of the War have been relatively small. While there have been sales of outstanding Canadian securities to the United States on balance, there have also been retirements of appreciable amounts of Canadian securities held in the United States. At the same time Canadian holdings of United States securities have been reduced by private sales throughout the period.

With regard to the basis of evaluating the investments covered in the statistics for 1937 and previous years, it should be noted that these values are not designed to represent market values. A more stable basis of evaluation has been employed in the past as this is more suitable for general long-term purposes. In this way the underlying volume of investment is better represented since the effects of short-term fluctuations in market values are eliminated. It should be noted too that it is impossible to obtain market quotations for an important part of the total, particularly for holdings in the field of direct investments. Bonds and debentures were generally entered at their nominal or par values, while the value of equity securities was for the most part based upon the capital employed in enterprises reporting to the census of industry. In other cases, book or balance sheet values were used; and, in a few important instances, par values of stocks were used where these were regarded as more representative than book values. Accordingly the data on investments are not indicative of either the market values or the amounts that could be realized from sale. With some securities such values exceed the values adopted in the investment study, while in other cases they are less. Under conditions prevailing in security markets in recent years the market value of the investments would be considerably lower than the value of investments shown for 1937.