

Canada's accomplishment in meeting such a high proportion of the direct cost of the War, while at the same time providing Britain with very extensive financial assistance in obtaining war supplies in Canada, has been further evidence of this.

In the First World War, Canada's munitions output was limited to shells and rifles. Ships and aeroplanes, Bren guns, heavy machine guns, Browning guns, sub-machine guns, AA guns, anti-tank guns, trench mortars, 25 pounders, naval guns, tanks, universal carriers, etc., are but a few of the munitions now being supplied in quantity for use in almost every theatre of war.

During the course of the War a serious exchange problem developed in the form of a shortage of U.S. dollars resulting from the growing need of obtaining essential materials of war from that country. This was met very effectively by the policies carried out by the Foreign Exchange Control Board and by the arrangements made under the Hyde Park Agreement. The situation has improved very much during the past year.

A review of the financing of Canada's war effort down to June 1941, is given at pp. xxxiv-xxxvi of the 1941 Year Book. This has also been summarized and brought up to 1943 in the Public Finance chapter of this volume.

Financing Canada's War Effort, 1943-44.—On pp. 808 - 811 will be found an account of Canada's war finance up to the end of the fiscal year 1942-43. It is a story of rapidly mounting expenditure necessitated by the swiftly rising level of war activities, and of sharp tax increases and great loan campaigns to meet these costs; for the problems of finance have not been allowed to limit the war effort, but rather the physical burden of war production and mobilization has determined the financial burden that has had to be met. By 1943-44, however, tax levels had already reached the point where it would be difficult to increase them without causing undue hardship in particular cases, and consequently the Budget of Mar. 2, 1943, was concerned mainly with adjustments and modifications in existing taxes. A number of increases in commodity taxes were introduced, but the most important change was a measure to place personal income-tax payments on a "pay-as-you-earn" basis. Tax deduction at the source wherever possible and instalment payments in other cases had been introduced in the previous Budget (June 23, 1942), and these payments were now made to apply to current income. This involved cancelling half the tax liability on 1942 incomes (except on investment incomes in excess of \$3,000, in which case half the tax was deferred until the death of the taxpayer), but the change as a whole actually resulted in an increase in tax receipts for the year since it brought forward to Apr. 1, 1943, a higher rate of tax deductions which otherwise would not have applied until Sept. 1.

Though the books were not yet closed, it was estimated in the appendix to the Budget of June 26, 1944, that expenditures during 1943-44 totalled \$5,360,100,000, made up as follows:—

	<i>Million Dollars</i>
Ordinary expenditure.....	630·2
Capital expenditure.....	2·7
War expenditure.....	3,712·0
Mutual Aid.....	912·6
	<u>4,624·6</u>
Special expenditure.....	37·4
Government-owned enterprises.....	1·3
Other charges.....	63·9
	<u>5,360·1</u>
Total Expenditure.....	<u>5,360·1</u>