

The Dominion Government endeavoured to hold an even balance between taxation and borrowing. The taxation levy was made subject to definite national policy. The annual cash requirements of the Government were more than ten times as great as in the pre-war period. Ten times the revenue from individual incomes has been secured by greatly increased tax rates and a drastic lowering of exemptions. Marked increase in corporation taxes was accomplished by an increase in the basic corporation rate but the more prolific source of revenue was by the imposition of the excess profits tax.

The financial plan of the Government had a double purpose. The public were asked to make loans in the form of bonds in order to defray, in part, the cost of the War, but they were also induced to loan a large proportion of their cash resources so that there would be less unnecessary spending. The economic life of the country was built around these two basic policies, and this enabled the Government to stave off the pressure upon the price ceiling. In other words the object was to cut down civilian spending which was in competition with war requirements, while at the same time the Government was borrowing from the savings of the people in order to reduce civilian consumption. Funds that would have gone into retail and service markets were directed to Government war use. Needless to say a heavier burden has fallen, as a consequence, upon the lower income brackets.

The net debt of the Dominion Government rose from \$3,100,000,000 in March, 1939, to \$6,300,000,000 in March, 1943. The estimate as of March, 1944, as given by the Minister of Finance in the Budget Speech of June 26, was \$8,842,000,000. The war effort which the figures represented was as varied as was the diversity of the natural resources of the Dominion. It was a race against time during which there was an unprecedented expansion of industry, business and finance.

In the plan of reconstruction, it is generally recognized that external trade must occupy an outstanding position and co-operation in respect to post-war trade among the United Nations is essential. The principle of mutual aid and the good-neighbour policy, applied so effectively in war-time, point the way and plans are now being laid to enable Canada to take her traditional place as a leading trading nation in the post-war world.