

States were greatly augmented during the early years of the War, principally because of the rapid rise in Canadian imports from the United States. At the same time, net credits from other foreign countries whose currencies are convertible into United States dollars have sharply contracted with the decline in exports to Continental Europe and Asia. It has therefore been necessary to conserve United States dollars for the more essential purposes of the War, and to develop new sources of United States dollars. Exchange control (with the control of capital movements) has provided the principal means of conserving United States dollars. Government measures have also limited expenditures on Canadian pleasure travel and non-essential commodities in non-Empire countries. As a result of the Agreements entered into at Hyde Park in April, 1941, new sources of United States dollars were produced with the sale of munitions on a large scale to the United States Government and further development of the production of raw materials in Canada. The sale in the United States of gold and United States dollars purchased from the United Kingdom has also been a factor in meeting deficits in the United States. Another factor of increasing importance in alleviating Canada's shortage of United States dollars has been the growing volume of imports of capital arising, mainly, from the purchase of outstanding Canadian bonds by United States investors.

There were other unusual receipts of United States dollars in 1943. United States Government expenditures on defence activities in Canada, such as the construction of the Alaska Highway, the Canol project and the airfields in Northern Canada gave rise to large non-recurring receipts. Greatly expanded United States demands for grain and other commodities resulting from temporary wartime shortages also contributed large receipts of United States dollars. As a result of various developments such as these, the shortage of United States dollars was alleviated in 1943 and the current account with the United States alone showed a debit balance of \$19 million only for the year as a whole. As a result of this improved situation it was announced by the Minister of Finance in the House of Commons on Apr. 21, 1944, that certain payments were being made by Canada to the United States Treasury in connection with the termination of the financial aspects of the Hyde Park Agreements. Among other things, these included payments for certain past purchases of United States equipment and supplies for which bills had not yet been presented. The Canadian Government also undertook to reimburse the United States for the airfields constructed by the United States Government in Canada and for the telephone line from Edmonton to the Alaska boundary which was built by the United States Government. In so far as these special settlements were for liabilities incurred in 1943 or earlier, or were reimbursements for United States expenditures in Canada in 1943 or earlier, they would, from some points of view, represent additions to the current account incurred with the United States in the same years, but since the balance of payments statements reflect cash payments, the special payments to the United States in 1944 will be included in the statement for that year rather than in previous years.

Current Account Transactions.—Current account transactions between Canada and all countries are given in Table 1. In order to reveal the financial and foreign exchange aspects of the international accounts produced by wartime changes, it is necessary to divide the balance of payments statements into two clearly defined divisions: the balance of payments between Canada and Empire