

There was a slight reduction in net payments to the United States dollar area on account of interest and dividends in 1943. There were some declines in receipts of income, principally from reduced receipts from direct investments in the United States which had been unusually heavy in 1943. Some of the decline was also due to somewhat lower payments of interest and dividends on investments in Canada owned by residents of the United States dollar area.

A further expansion occurred in the net debits on account of freight and shipping with the United States dollar area in 1943. The volume of imports which has risen each year of the War is one of the chief reasons for the steady expansion in payments. Besides the freight on imports for Canadian consumption, there has been freight on goods imported in connection with United States activities in northwestern Canada, such as the Alaska Highway and Canol projects. Payments for ocean freight have also increased with the rise in costs of ocean transportation. Partly offsetting the increased payments have been the growing earnings of Canadian railways from freight on exports and the substantial receipts for freight on goods carried to northwestern Canada for the United States Army.

All other current transactions resulted in a credit balance of \$149 million in 1943 compared with a credit balance of \$43 million in 1942 and substantial debit balances in preceding years. As it includes some non-recurring items, the composition of this group of transactions varies in different years. Wartime factors were responsible for the credit balance in 1943. The expenditures by the United States Government on the construction of the Alaska Highway, airfields, the Canol project and other undertakings in Canada were particularly heavy. It should be noted that part of the United States Government expenditures in Canada were paid back in 1944 when Canada reimbursed the United States for the airfields and telephone line in the settlements terminating the financial aspects of the Hyde Park Agreements announced by the Minister of Finance on Apr. 21, 1944.

Capital Account Transactions.—*Empire Countries.*—Capital receipts by Canada from Empire Countries in 1943 amounted to \$20 million. The principal part of this was made up of repayments by the Government of the United Kingdom on the \$700 million loan. Private capital receipts were relatively small and represented transactions such as distributions of estates and trusts.

Gross capital debits amounted to \$586 million in 1943 exclusive of Mutual Aid and the special purchase of United States dollars. Of this amount \$71 million represents privately financed capital payments by Canada. Private retirements of securities, purchases of securities, repayments of mortgages and loans, settlements of estates, and trusts and insurance company transactions make up most of this \$71 million.

Mutual Aid, of course, was the principal means of meeting the residual needs of Empire countries in 1943. This aid took the form of shipments of food and munitions to the United Kingdom and Australia, the costs of which were met out of the Mutual Aid Appropriation. Expenditures by the Mutual Aid Board in 1943 for goods and services allocated to the United Kingdom and Australia were \$502 million. But besides Mutual Aid there were the substantial capital debits on government account, totalling \$515 million, which also contributed towards financing the residual needs of the United Kingdom. The largest part of this total originated in the payments to the United Kingdom Government in connection with the repatriation of production assets. Payments for the British equity in the fixed capital of munitions plants constructed during the War amounted to \$205