in this work by preparing and assessing outlook information in the economic fields in which they specialize. Starting in 1946, the Economic Research Branch has made an annual forecast of the probable level of private investment. In 1948 this was expanded to cover public investment. In 1947 and 1948 the investment forecast was supplemented by a forecast of the probable levels of production of critical basic and building materials. The Dominion Bureau of Statistics developed, during the war years, a system of "national accounts" of annual gross product and gross expenditure of the economy and is steadily expanding the detail, thereby providing a useful tool of analysis to assist both the Government and the business community in formulating their respective plans.

Fiscal Policy.—In line with the policy of helping to maintain a high and stable level of employment and income, the Government is placing greater emphasis on economic considerations in formulating fiscal policies. In particular, budgeting now takes account of a period longer than one year and operates on an anti-cyclical basis, i.e., calls for budget surpluses and debt reduction in periods of buoyant employment and income and for deficits and debt increases when unemployment and lower levels of income threaten. Surpluses have been realized in the years 1947 and 1948. There have been, nevertheless, a number of reductions in tax rates and other tax concessions have been granted, particularly of the type that would encourage private investment and saving. In 1948, Parliament passed new income-tax legislation which simplified the administration of direct taxes. Interest rates have been maintained at a low rate to encourage private investment. During 1945, the rate on long-term Government bonds was lowered from around 3 p.c. to nearly 2·5 p.c. In 1948, however, in the face of steady inflationary pressure, the rate was allowed to rise to nearly 3 p.c.

The Government has attempted in the post-war period to arrive at a new division of the field of taxation between the Federal and the Provincial Governments. The Provincial Governments vacated the income and corporation tax fields during the War in return for certain Federal Government grants. At the Dominion-Provincial Conference on Reconstruction in the autumn of 1945, the Government proposed that the Provincial Governments withdraw from these two fields and the succession duty field in return for annual subsidies that would not fall below certain minima and would rise proportionately with population and increases in per capita gross national product. No agreement could be reached. In Chapter III, pp. 117-122, the circumstances are reviewed together with the Budget proposals of June, 1946, whereby the Government offered to enter into tax agreements with the provinces on an individual basis, and subsequent agreements reached with seven of the nine provinces under the Dominion-Provincial Tax Rentals Act (11 Geo. VI, c. 58).

Private and Public Investment

When the War ended, there was need for an enormous capital outlay to modernize and expand plant and equipment so that it could support a high level of employment and income. Those industries associated directly with the war effort had received substantial amounts of investment during the War. Expanded war plant needed to be adapted to peacetime production. Industries not actually engaged in war production had received only limited investment over a period of fifteen years and in most cases had overworked their equipment during the war years.