Residential investment had been so low in the depression and war years that it was much below current needs of the increased number of families without taking into account population movements and the obsolescence of existing houses. Compared with the late 1920's, the investment expenditures of governments remained low until 1937, when large amounts were spent on relief works. When war broke out, public investment of a non-war character was limited to the maintenance of essential services.

Realizing both the necessity of increasing Canada's physical assets and the important direct and secondary effects of the level of investment on the country's general prosperity, the Government's post-war policy for encouraging private investment has been comprehensive. At the same time, the Federal Government's own investment policy has been so designed as to complement but not compete with private investment. Government assistance to private investment has been of three types:—

Taxation Relief and Concessions.—To encourage investment, certain of the War budgets, particularly that of 1944, made a large number of concessions from the high levels of war and post-war direct taxes on business. The most significant of these concessions from the point of view of the business community has been the privilege of writing off certain types of new investment at special rates of depreciation for income tax purposes. This privilege was available from Nov. 10, 1944, to Mar. 31, 1947, on investment projects completed before Mar. 31, 1949. Some 4,200 companies availed themselves of this privilege on 8,000 projects worth $1,400,000,000.* Starting with the year 1946 the rate of 100 p.c. on excess profits was lowered and in 1948 the tax was dropped entirely.

Financial Assistance.—Financial assistance for purposes of industrial development was made available through the Industrial Development Bank (see pp. 1026-1027) and for other kinds of investment under the Canadian Farm Loan Act, 1927, the Farm Improvement Loan Act, 1944, the National Housing Act, 1944, and legislation in favour of war veterans (see Chapters X, XVII and XXIX).

Supplies of Capital Goods.—The Government has been active in increasing the available supply of building materials and machinery. The rapid disposal of surplus war plants and equipment, machine tools, trucks, ships, etc., and the strict limits placed on the Federal Government's public investment program have increased the flow of capital goods into private channels. The controllers of basic materials and the Building Materials Co-ordinator of the Department of Trade and Commerce (formerly of the Department of Reconstruction and Supply) are concerned primarily with boosting the production of iron, steel, timber and other basic products and with allocating them so as to ensure a large and increasing flow of capital goods to both domestic and foreign markets. When it became necessary to impose austerity measures in November, 1947 (see p. 946), to conserve foreign exchange, capital goods imports were placed under a licensing system so as not to limit arbitrarily this type of import and to ensure that the goods admitted went to uses that would contribute most to Canada's long-term welfare.

Plans have been worked out and put into operation for the planning and timing of Federal Government investments. In the presence of a high level of economic activity since the end of the War, outlays on public works and resources development

* *Encouragement to Industrial Expansion in Canada*, Department of Reconstruction and Supply, 1948.