

a rapid development during and after that war. Their expansion throughout the decade of the 1920's was rapid. By 1926, the first year for which official estimates are available, United States investments in Canada had a value of \$3,196,000,000 compared with British investments of \$2,636,000,000. During the 1930's some reductions occurred in the amount of external capital invested in Canada.

A further growth in United States investments in Canada took place during the Second World War and, by the end of the War, these investments had reached a new peak, but British investments in Canada were sharply reduced by repatriations of securities. The relative importance in this more recent period of the United States capital inflow in relation to domestic capital formation was less than in earlier periods of capital inflow. Much the larger portion of Canadian developments and activities during the War of 1939-45 were financed from Canadian sources. As a result of the divergent trends in British and United States investments, total non-resident investments in Canada increased only moderately between these years. In 1946 an increase to a total of \$7,178,000,000 occurred, chiefly because of the continued expansion of United States investments in Canada. In 1947 there was a slight change in the total to \$7,174,000,000 because redemptions mainly offset new direct investments and reinvestments of earnings.

Increases occurred in 1948 due to large inflows for direct investment, reinvestments of earnings, and Government borrowing of \$150,000,000 in the United States which latter was larger than the retirements. In 1949 the value of foreign investments expanded further to a provisionally estimated total of \$7,977,000,000 of which \$5,890,000,000 was made up of United States investments and \$1,752,000,000 of British investments. A further expansion in United States and British direct investments in Canada contributed a large part to this increase. Another important factor contributing to the increase was the inclusion in the Canadian totals for the first time of foreign investments in Newfoundland.

The relative position of investments of external capital in relation to total investments of capital in Canada has changed materially in recent years. Non-resident investment now constitutes a smaller part of total investments in Canada than was the case before the Second World War. It is difficult to express this relationship in terms of any simple ratio, however, because of the variety of types of investment which must be compared. Important changes have also taken place in the relative position of different types of investment.

Non-resident holdings of Canadian bonds constitute a much smaller proportion of the outstanding funded debt of Canadian governments and corporations than before the Second World War. The external holdings of Canadian bonds represented only about 13 p.c. of the total Canadian funded debt at the end of 1947 compared with about one-third of the approximate \$10,000,000,000 of bonds outstanding in 1939. The outstanding changes bringing about this transition have been the great rise during the Second World War in the funded debt of the Federal Government, which was largely financed in Canada; and some reduction in the total of Canadian bonds held outside Canada which, in 1939, amounted to \$3,508,000,000 compared with about \$3,029,000,000 in 1949. The reduction in the amount held outside Canada is due to wartime repatriations of Canadian bonds from the United Kingdom. Holdings in the United States and other countries have increased moderately in total since 1939. Non-resident holdings of government issues, exclusive of railway bonds, were 17 p.c. of the total outstanding in 1939 and in 1949 were about 9 p.c. This change has also been partly due to a reduction in the amount of holdings held in the United Kingdom, as well as to the rise in total of internal issues.