

she would like to obtain, then the United Kingdom Government had to decide either to dip into its reserves of gold and U.S. dollars or cease to take imports from the dollar area beyond what she could afford out of export earnings. The effect of this on Canada has been that the British have refrained from buying from us all the goods that we would like to sell them, and further that we have provided some of our exports to the sterling area on credit, with the result that we did not obtain the amount of U.S. funds that we needed to pay for all the goods that Canadians wanted to import from the United States. That is, of course, the genesis of our so-called dollar problem, which has forced us into a temporary programme of import restrictions and other dollar saving measures. Much could be said about the nature of the wartime dislocations in many countries of the world, the slow rate of post-war rehabilitation and so on, which has broken down multi-lateral trade and what is loosely termed the convertibility of currencies, but that is too ambitious an effort for me to attempt at this time. Moreover, many authoritative statements have been made about it by the Minister of Finance and others and these need no amplification from me.

Canada is one of the leading export countries of the world, so that it has more than a passing interest in the efforts being made to restore a war-torn and war-shattered world economy. That is why we have as a country made such a heavy investment in relief, grants, loans and other forms of assistance to those countries which are striving to repair the damage of war. It explains also why Canada has taken a very prominent part in the formation of international organizations designed to promote a high level of international trade and as well work towards lifting from the world the recurring curse of war.

Turning now to investment demand, the third largest market for our output, you will recall my earlier comment that investment for other than inventory purposes in 1948 was about seven times the 1933 volume. You will also remember that my digression on savings and investment indicated how precarious a job it is to achieve just the right level of investment - not too much - not too little. Much thought and planning has been given in all countries to influencing the level of investment in the right direction as a matter of public policy. Methods of so doing vary considerably in different countries but, under normal conditions in Canada, no direct control of capital investment by Government has been attempted apart from the influence of taxation techniques or other Budgetary influences which I shall touch upon in a moment. During the war years and in the post war emergency years there have been varying forms of direct controls affecting construction of plant and machinery. And on the financial side it will be remembered that in February 1948 the Bank of Canada took occasion to suggest to the chartered banks that under the then prevailing conditions it was undesirable for capital expenditures to be financed through expansion of bank credit. But these were special circumstances and, as I have said, under normal conditions the Canadian investment market responds to the psychology of the moment and as it is influenced by the financial and monetary policy of the Government.

One important feature of the market is the limited availability of risk capital in Canadian securities markets, which means that a great deal of the venture money going into the development of our natural resources still comes from sources outside Canada, principally the United States. The volume of such investment is evidenced by the fact that our interest and dividend payments to United States investors is running at an annual rate of some \$275 million. (Remember, I am not stating these points in criticism, nor am I trying to persuade you towards any line of policy. I am merely pointing out some obvious aspects of our money market which you, as a group of young men who have chosen a career in the investment field, are bound to realize and may in due course be instrumental in changing.) It is true also that our organized investment market provides little or no help either to the establishing of new small business or to small businesses in need of capital to expand. To a limited extent this gap is now being lessened by the Industrial Development Bank.