

they were threatening to impair output and undermine enterprise. But they are still very high as compared with pre-war levels. The excess profits tax was gradually reduced and finally eliminated only as from the first of this year. Corporations now pay to the Dominion Government a tax of 30% on net profits. The rest of the wartime tax structure stands very nearly intact. As a result of these high tax rates and of high incomes and business activity, total Government revenues have been maintained at abnormally high levels. Last year I was able to report a substantial surplus and for our latest fiscal year which ended yesterday, I shall be reporting to Parliament in a budget speech a few weeks hence another surplus of such a magnitude as to bring a glow to the heart of any Canadian Minister of Finance. Under our accounting system, these surpluses are calculated before taking account of investments and loans, including those to governments abroad, so that in fact we have invested a considerable portion of them in such so-called active assets. However, a substantial part of these surpluses has been available and has been used to retire public indebtedness.

While we have been using surpluses in part to pay off public debt, we have deliberately continued into the postwar period the wartime practice of carrying on nation-wide campaigns to sell government securities of the savings type to industrial workers and to persons of small or moderate incomes. Since October, 1946, the total sales of these National Savings Bonds, less redemptions, have amounted to \$663 million. At first, as the inflationary pressure was not so strong, the dominant motive was to provide an opportunity for the small investor to continue the salutary habit of saving he had acquired in wartime. Increasingly as time has gone on, more recognition has been given to the value of these campaigns in mopping up purchasing power and easing the inflationary pressure.

I wish now to say a word about the effects of the Government's fiscal and financial policy upon the banking system. Direct financial assistance by the banking system to the Government reached its peak in October, 1945, when holdings by the Bank of Canada and the chartered banks of deposit certificates and other Dominion securities designed specially for the banking system reached \$2½ billion. From that date to the end of December last, out of our surpluses of cash receipts over expenditures and out of the proceeds of public borrowings, the Government was able to reduce the total of such banking securities by \$1.4 billion. This reduction in the banking system's holdings of such securities represents about half the amount of the wartime increase in money supply resulting from Government financing. Of this reduction, \$782 million had occurred by December, 1946, and the balance of \$665 million took place in the calendar year 1947. These figures, it seems to be, demonstrate pretty clearly the extent to which the Government's postwar fiscal policies have attacked the problem created by wartime credit expansion.

During the latter part of the war, a substantial part of the increase in money supply took place because the general public on balance were net sellers of Government bonds during the months between bond selling campaigns; and most of these bonds of necessity ended up in the portfolios of the banking system. It is true that there was at the same time a very considerable expansion in idle savings deposits, but not to the full extent of the banking system's increased holdings of bonds. However, contrary to some prevailing