

Thus, financial and monetary policy accorded with the declared intention to facilitate in the initial period an increase in business activity and an expansion of national income.

By the middle of January it became apparent that business had acquired sufficient momentum to justify going to the public for a loan out of savings. We therefore offered our first war loan in the form of $3\frac{1}{4}$ per cent twelve-year bonds callable by lot during the last five years. Very careful preparation had been made for the campaign and the success of the loan was even greater than we had expected. Of the total subscriptions of \$375 million we allotted \$200 million to cash subscribers, and \$50 million to subscribers who desired to convert their holdings of one of our issues which was to mature on March 1st. It was particularly noteworthy that there were over 178 thousand individual cash subscriptions to this loan and that out of that number more than 121 thousand were for amounts of \$500 and less. This result was made possible by the nation-wide cooperation of institutions and individuals and, above all, by the united and enthusiastic support of the Canadian people as a whole.

Even this January borrowing was to a considerable extent expansionist in character in that it converted into government expenditures a considerable amount of idle bank savings. However, the number of small subscriptions and of arrangements made by employees of industrial firms for the purchase of bonds by instalments is convincing evidence that a surprising portion of the subscriptions represented new savings out of increasing incomes.

Passing over one or two financial operations of smaller magnitude for refunding purposes, I come to a further major step in our borrowing operations, namely, the inauguration of our war savings certificates programme on May 27th. These certificates are issued in small denominations for the purpose of facilitating regular savings and contributions to Canada's war effort by persons of moderate and small means. Supplemented as they are by war savings stamps in the denomination of 25 cents they enable all of our people to take some part in Canada's war work while at the same time acquiring the habit of thrift and building up a "nest egg" for the contingencies that may lie ahead. Unlike our periodic war loan campaigns, the sale of these certificates and stamps involves a steady effort which will produce a continual stream of funds, even more important in its influence than the actual amount of money itself. The campaign has involved a vast amount of preparatory and organizing work, and I express now our sincere

appreciation of the unstinting help and support being given by patriotic citizens, organizations and business firms throughout the country. You will be interested to know that not a cent of commission is being paid to the postmasters, banks, financial institutions and commercial organizations which are selling these obligations, and the citizens who are organizing and sustaining this project both at headquarters in Ottawa and throughout the dominion are giving their services voluntarily.

Turning now to general business conditions, there is one respect in which the business forecast made by the Minister of National Revenue last September has proved to have been unduly conservative. The fact that the results were better than he forecast was, I really think, due, at least in considerable measure, to the effectiveness of the policies which were promptly adopted. The stagnation in business which he contemplated as probable during the first few months of war was not in fact realized. It is true that for the first few weeks financial and commodity markets were upset by the shock of war and business itself was retarded by uncertainty and the disruption of certain established channels of trade. But the financial policies outlined in the September budget and the institution of foreign exchange control on September 16th restored confidence to financial markets and prevented the dumping of securities and the export of capital which might otherwise have produced serious disorganization. The prompt establishment of other controls through various war agencies, such as the Wartime Prices and Trade Board, the War Supply Board and the Agricultural Supplies Board, also made its contribution to the restoration of confidence and the rapid adjustment of trade and industry to the new war-time conditions.

There were various economic factors which also worked to improve conditions. The large wheat crop of last year, for which the initial price guaranteed by the government was realized by the producers immediately upon delivery, gave a very important stimulus to business generally. Almost equally important was the phenomenal rise during the first four months of war of Canadian exports to the United States. Our neighbour to the south experienced an intense forward-buying boom and in that we shared through greatly increased exports. Initial war orders were important in contributing to the early expansion of the textile, boot and shoe, and iron and steel industries particularly.

At the turn of the year, however, business activity in the United States receded very sharply. Seldom has there been in that country