billion, or an average rate of about $200 million a year. Indeed the gross inflow in each of the years 1912 and 1913 averaged some $400 to $500 million. Allowing for the decline in the purchasing power of the dollar, this might be equivalent to a capital investment today perhaps four times as great. When we reflect that the population of Canada in those days was less than one-third of its present size, a capital inflow of this magnitude can only be described as enormous by any standard. Those capital inflows were resumed in the 1920's, but after the onset of the great depression of the 'thirties, the net movement of capital was outwards rather than inwards, since debt repayments were in excess of new foreign investment. The next period of heavy movements of foreign capital into Canada began about ten years ago and is still continuing.

Why Foreign Investment Attracted

The reasons why Canada is able to attract foreign investment or to borrow in external money markets in such large amounts year after year are self-evident. First, Canadian governments have always treated foreign capital in exactly the same manner as domestic investments in respect to tax treatment and other such matters, and have maintained an economic climate that was favourable to investment generally. The record of our borrowers and the earnings from foreign investments have been as good as could be found anywhere. The reputation Canadian governments and corporations enjoy is something we are all anxious to safeguard.

In the second place, the opportunities for profitable investment have exceeded the available supply of domestic savings. During the last decade Canada has had a particularly high level of governmental, corporate and private capital investment. In recent years the figure has exceeded 25 per cent of our Gross National Product. This is a very high proportion to be devoted to public and private investment projects, judged by any standard. The level of savings in Canada during most of this period was very high, but even then it was only sufficient to support about four-fifths of this capital formation. And of such domestic saving, too small a proportion was invested in new industrial facilities, or in our new and dynamic resource industries.

Filling the Capital Gap

To meet the deficiency of capital and enterprise required to promote the needs of an expanding economy, United States and other foreign investors, attracted by the opportunities that existed or by the higher rates of interest paid for borrowed capital, were glad to fill the gap. We were fortunate in being able to attract such capital. So far as our national resources are concerned, many large industrial corporations in the United States have found it advantageous to open up new mining properties and other natural resources to supply the raw materials needed by