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CANADA'S INTERNATIONAL FINANCIAL RELATIONS

Notes for Lecture by Mr. L. Rasminsky, Executive Assistant to the Governors of the Bank of Canada, at National Defence College, Kingston, Ontario, January 30, 1948.

I have been asked to talk today about Canada's international financial relations. The subject is obviously a complicated one and in the course of an hour's lecture I can do no more than touch on some of the high spots, but I understand that there will be an opportunity afterwards to develop any particular aspect of the subject in which members of the group are especially interested.

Some of the problems involved in the Canadian international financial position have recently been highlighted as a result of the action which the Government has found it necessary to take to protect our international reserves - action in the form of import restrictions, travel restrictions and various other measures intended to bring about a better balance in our U.S. dollar receipts and expenditures. I do not intend to discuss in any detail these particular measures today, but I hope that what I have to say may throw some light on the developments which made measures of this sort necessary.

I think that the most convenient way for me to start this exposition is by mentioning two or three of the salient features in the Canadian economic background as it existed before the war, then to go on to describe in what way the war changed our international economic and financial position, and finally to come to post-war developments leading up to the present situation.

Before proceeding, however, I should like to pause for a moment to say a little about the terminology which it is convenient to use in the discussion of these matters.

International financial payments and receipts are usually classified as on either current account or on capital account. The most common transactions considered to be on current account are payments and receipts in settlement for goods imported and exported, for transportation, business, tourist and other services rendered by foreigners or to foreigners, for income on capital invested in the country and abroad by residents, and for benevolent remittances to foreigners or from foreigners. The balance of receipts over payments of current items is called the current account balance and is often described as favorable or as a surplus if positive, or as unfavorable or as a deficit if negative. Most other transfers, as for example those arising from purchases and sales of securities or from loans and repayments are considered to be on capital account. The most important feature which capital account transactions have in common is that they alter a country's international indebtedness.

In the immediate pre-war years it was normal for Canada to have a favorable balance on current account. In those years our receipts from abroad on current items exceeded our payments abroad on current items by something of the order of $100/150 millions per year. This