

course purchased at the official rates in Canadian dollars. At the same time as these private balances were purchased, the government, by appropriate orders and transactions arranged to have the holdings of the board further increased by the transfer to the board by the Bank of Canada of the bank's gold reserves, also its reserves of foreign exchange over and above its short-term requirements and necessary working balances. The reason for all these transactions was the advisability of having all our liquid foreign resources centralized with, and managed by, the agency at present charged with the management of our foreign exchange transactions. Without going into details I can say that the main policy which has been followed by the board has been to restrict movements of capital out of Canada to the minimum while at the same time interfering as little as possible with import and export trade, the tourist trade, the payment of interest and dividends and the flow of normal, current business transactions. In carrying out its work, the board has received general and wholehearted cooperation from the people and business organizations of this country and, I may add, from the business organizations of the United States.

II

GOVERNMENT ACCOUNTS, 1939-40

I turn now, Mr. Speaker, to the government accounts for the fiscal year which closed on March 31. Following the procedure which was initiated last year by my predecessor, Mr. Dunning, I do not propose to weary the house with any extensive recital of the details of our revenues and expenditures, our direct and indirect liabilities, our active investments and our financing operations during the past year. All of these details I shall, when I conclude, table in the form of a white paper, in order that the house and the country may have a comprehensive record of our financial transactions during the year. As was the case last year, the white paper will be published as an appendix to the budget speech and therefore will be readily accessible. This procedure enables me to confine my remarks to summarized results rather than to burdensome details.

At the time of the September, 1939, budget, it was estimated that the total revenues for the fiscal year 1939-40 would be \$516 million, including \$21 million to be derived from new and increased taxes. Because business expanded more rapidly than was anticipated, the yield of both our old and new taxes has exceeded our expectations. It is now estimated that when our books for the year are closed, our

total revenue will amount to \$562 million. (This includes, it is true, a bookkeeping item of \$20 million of credits to non-active accounts for which offsetting or contra items appear on the expenditure side of the statement.) The figure which I have given for total revenues represents an increase of nearly \$47 million over the previous all-time record revenue which was received during the fiscal year 1937-38.

Dealing particularly with revenue from taxes, let me say that of the September, 1939, tax increases, only the luxury taxes were effective in the past fiscal year. Actual collections under the increased rates of the personal and corporation income taxes would not be made until the present fiscal year. The same is true of the excess profits tax. Nevertheless, tax revenues for the fiscal year 1939-40 are estimated to have been \$468 million as compared with \$436 million in the previous fiscal year. This increase in tax revenue, to which practically all taxes, except the income tax, contributed, was the result of increasing business activity and, in some cases, of increases in rates. Receipts from the income tax reflected the rates and the incomes of the calendar year 1938, and not the results of the accelerated business in 1939 which will be realized in the income taxes to be paid in the present fiscal year. Tax revenue from the first of September, 1939, to March 31, 1940, was \$51 million in excess of the amount collected in the same period in 1938-39. This is a striking confirmation of the fact that the period which was expected to be commercially quiet and hesitant at the start at least, turned out in fact to be one of extremely active business and consumer buying.

Turning now to expenditures: In the September 1939 budget, total expenditures for the year would, it was estimated, aggregate approximately \$651 million, not including the two items of capitalized defence expenditures and further losses in the marketing of wheat. Our total expenditures for last year are now estimated at \$681 million. This includes all our defence expenditures and in addition a further \$27 million incurred in wheat marketing. Once the war had begun, it seemed that conservative accounting could no longer justify the capitalization of defence expenditures as provided for in last year's estimates, and all such items have been charged to war expenditures. Furthermore, while at the close of the fiscal year there still remained unsold a small amount of wheat of the 1938 crop, it was clear that the losses of the Canadian Wheat Board in respect of the marketing of that crop would amount to at least \$52 million. Therefore, an advance of this amount was made to the board and this enabled the board