the rationing ended. Gone, too, was the patriotic impulse to save. But the inflationary pressure was somewhat mitigated by the government taxing more money than it currently spent. It used the surplus to buy in and retire government bonds, thus reducing the debt in a way in which the present government might intend retiring the present debt at some future date.

Nonetheless, in the postwar years, the tripled money supply remained. There was, moreover, a strong impulse to cash in on the Victory Bonds in order to make purchases which had been postponed during the war years. As if this were not enough, there was also a great new era of capital expansion and construction.

In Canada, as in Britain and the United States and elsewhere, prices kept rising so that now the Canadian dollar will buy only half as much as it would buy in 1939. Prices have risen by 100 per cent. Such was the effect of increasing the public debt and the money supply by deficit finance during World War II.

The Canadian dollar had proven as much a war casualty as any wounded soldier in the field. Moreover, the injury to the Canadian dollar grew worse after the war. In terms of purchasing power, it has never recovered.

Nationalization Spells Loss

The fact of this year's deficit is already widely known. Its full scope, however, is not. The budget itself involved a deficit of $805,000,000, including a $165,000,000 NATO account for which funds must be raised. Moreover, the government still has to find money for its old-age pension fund because the revenues from these collections do not equal the outgo. Further, the Canadian National Railway does not operate at a profit and the government must provide the railway with funds to cover its extensive 1958-59 loss. The government also is making new loans to the Central Mortgage and Housing Corporation, to the St. Lawrence Seaway Authority, and to other federal organizations. Finance Minister Fleming himself estimated that over all, without making any allowance for old debts falling due, he would need to raise about $1,400,000,000 in additional money this year.

At the same time, our government has not succeeded in borrowing sufficient existing savings by selling the savers new government bonds. The "borrowing," therefore, has mainly been done by "selling" the bonds to the chartered banks and in part to the Bank of Canada. These banks pay the government for its bonds by creating a new "printing press" deposit. Hence, the increase in the money supply, about 14 per cent in thirteen months. Hence the dangers to the value of the dollar.

Citizens Lose Faith

The average Canadian citizen, who more and more has been sensing the prolonged and unabated nature of the declining value of his dollar, has become less and less inclined to trust the federal government with his money.

He has, in actual practice, been doing what is technically described as "dis-investing" in government bonds. He has, in layman's language, been taking his money out of government bonds and using it otherwise. He has been saving it or spending it or investing it in some other way such as common stocks, land, and buildings at increasingly high prices. He has, on average, been selling more government bonds to the banks than he has been buying. He has been doing this to the extent of hundreds of millions of dollars since the end of World War II. He has been doing it constantly over the years since that time. He is still doing it.

At the end of 1945, the public, excluding the banks, held more than $11,000,000,000 in government bonds. Now the public holds less than $8,100,000,000 in such bonds, including Savings Bonds. The sharpness of the decline in this investment is self-evident.

Here are the figures which show the continuing recent decline in public investment in government bonds, not including Savings Bonds:

August 28, 1957	–$6,159,000,000
June 25, 1958	–$6,013,000,000
Sept. 24, 1958	–$5,597,000,000

The trend is unmistakable. It is down, down, down.

During the same period, the gross public debt has been going up, up, up:

August 28, 1957	–$14,765,000,000
June 25, 1958	–$15,507,000,000
Sept. 24, 1958	–$15,815,000,000
As of October 20, it was	—over $16,000,000,000

Savings Bonds Unattractive

Neither should there be any confusion about the effect of Savings Bond sales. While a new Savings Bond issue was being offered last month, with certain resultant sales, the total amount the public invests with the government in this way rises very little from year to year, notwithstanding huge annual sales volumes. These are the figures of Savings Bonds outstanding:

August 28, 1957	–$2,238,000,000
June 25, 1958	–$2,474,000,000
Sept. 24, 1958	–$2,391,000,000