

6.—National Debt.

The gross national debt of Canada on Mar. 31, 1914, was \$544,391,369, as against assets of \$208,394,519, leaving a net debt of \$335,996,850. Comparatively small as was this debt, it was a debt incurred almost altogether either for public works of general utility which, like the Intercolonial and Transcontinental railways and the canal system, remained assets, though perhaps not realizable assets of the nation, or was expended as subsidies to enterprises, which, like the Canadian Pacific railway, though not government-owned, assisted greatly in extending the area of settlement as well as the productive and, therefore, the taxable capacity of the country. Broadly speaking, it was a debt incurred for productive purposes. Also, it was mainly held outside the country, the principal of the Dominion funded debt payable on Mar. 31, 1914, in London being \$302,842,485, as against only \$717,453 payable in Canada.

The great changes brought about during the eleven years from 1914 to 1924 in our national debt have been: (1) the enormous increase in net debt from \$335,996,850 to \$2,417,783,275; (2) as having been largely incurred for war purposes, the gross debt is not represented by corresponding assets; (3) the debt is now mainly held in Canada, \$1,895,088,856 being payable in Canada on Mar. 31, 1924; (4) the average rate of interest paid on interest-bearing debt has been considerably increased, the interest-bearing debt on Mar. 31, 1914, being \$416,892,576, with an annual interest charge of \$14,687,797, the average interest rate being thus only 3.52 p.c., while on Mar. 31, 1923, the interest-bearing debt was \$2,653,869,212, with an interest charge of \$136,007,667, the average rate of interest paid thus being 5.125 p.c., reduced by Mar. 31, 1924 to 5.092 p.c. Had it been possible to keep down the rate of interest to its pre-war level, the debt charge would be nearly \$44,000,000 less than it is. Post-war conversions of debt to lower rates of interest are likely to reduce substantially our annual interest payments within the next few years.

Already the refunding in the autumn of 1923 resulted in some saving upon the interest charge of our debt; further, as a result of the refunding operations in the autumn of 1924, there will be a probable saving of interest of approximately \$2,500,000 in the fiscal year 1925-26. The interest-bearing debt, the interest charge upon that debt and the average rate of interest paid, as at the end of the last five fiscal years, are as follows:

	Interest-Bearing Debt.	Interest Charge.	Average Rate of Interest Paid.
	\$	\$	p.c.
Mar. 31, 1920.....	2,703,855,138	138,834,792	5.134
“ 1921.....	2,628,342,369	134,845,309	5.130
“ 1922.....	2,669,967,110	137,881,774	5.164
“ 1923.....	2,653,869,212	136,007,667	5.125
“ 1924.....	2,614,147,586	133,198,052	5.092

A summary account of the loans effected since 1914 is appended.

War Loans.—The first Dominion domestic war loan was raised in November, 1915, under authority of chapter 23 of the Statutes of that year (5 Geo. V, c. 23). It originally consisted of \$50,000,000 5 p.c. tax-exempt 10-year gold bonds, issued at 97½ and maturing December 1, 1925. As the issue was heavily over-subscribed (public subscriptions by 24,862 subscribers \$78,729,500, bank subscriptions \$25,000,000) and the extra money was needed, the Government increased the amount of the loan to \$100,000,000. In July, 1915, \$25,000,000 of 1-year and \$20,000,000 of 2-year 5 p.c. notes had been floated in the United States, with the object of stabilizing exchange and of relieving the pressure on London.