

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 in London being \$302,842,485 on Mar. 31, 1914, as against only \$717,453 payable in Canada.

The great changes brought about during the 13 years from 1914 to 1927 in our national debt have been:—(1) the enormous increase in net debt from \$335,996,850 to \$2,347,834,370; (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, \$1,941,852,161 being payable in Canada at Mar. 31, 1927; (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 \$14,637,797, the average interest rate being thus only 3.52 p.c., while on Mar. 31, 1922, the interest-bearing debt was \$2,669,967,110, with an interest charge of \$137,881,774, the average rate of interest paid being 5.164 p.c. Had the rate of interest in 1922 been the same as in 1914, the interest charge in that year would have been some \$44,000,000 less than it actually was. Since 1922, the maturity of certain loans has enabled the Government to refund at lower and more normal peace-time rates of interest, with the result that the average rate of interest payable on the national debt has been slowly declining, standing at 5.015 p.c. on Mar. 31, 1927. Further, in these same five years the principal sum of the interest-bearing debt has been reduced by \$104,315,847. The net result of these two achievements is that the annual interest charge has in the last five years been reduced by the substantial amount of \$9,207,434.

The *interest-bearing* debt, the annual interest charge upon that debt and the average rate of interest, as at the end of each of the last eight fiscal years, have been as follows:—

	Total Interest-Bearing Debt. <sup>1</sup>	Annual Interest Charge.	Average Rate of Interest.
	\$	\$	p.c.
Mar. 31, 1920.....	2,703,855,138	138,834,782	5.134
" 1921.....	2,628,342,369	134,845,309	5.130
" 1922.....	2,669,967,110	137,881,774	5.164
" 1923.....	2,653,889,212	136,007,667	5.125
" 1924.....	2,614,147,586	133,198,052	5.092
" 1925.....	2,617,706,451	130,886,851	4.992
" 1926.....	2,603,615,729	130,086,827	4.996
" 1927.....	2,565,651,263	128,674,340	5.015

Since Mar. 31, 1927, the interest-bearing debt has been substantially reduced by the redemption and refunding operations of November and December, 1927, and the annual interest charge has been more than proportionately diminished. Specifically, the 5½ p.c. renewal loan of 1922, amounting to \$29,068,400 and maturing on Nov. 1, 1927, was paid off in cash with a resultant annual saving of \$1,598,762 in interest. Again, on Nov. 15, 1927, maturing 4 p.c. treasury notes amounting to \$8,000,000 were paid off in cash, saving an annual \$320,000 in interest. Further, on Dec. 1, 1927, \$63,437,250 of 5½ p.c. tax-free bonds matured and were partly paid off in cash, while the remaining \$45,000,000 was raised by 4 p.c. treasury notes maturing in 1930; thus an interest charge of \$3,489,049 was replaced by an interest

<sup>1</sup> The total of interest-bearing debt, as here given, includes bonds purchased and held by the Treasury for sinking funds.