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

The great changes brought about in our national debt during the 20 years from 1914 to 1935 have been: (1) the enormous increase in net debt from $335,996,850 to $2,846,110,958; (2) the gross debt, having been largely incurred for war purposes, is not represented by corresponding assets; (3) the debt is now mainly held in Canada, $2,268,700,965 being payable in Canada at Mar. 31, 1935.

Recent Funded Debt Operations.—Conversions and other national debt operations carried out between 1931 and 1934 are dealt with at pp. 906–907 of the 1934–35 Year Book and those between 1914 and 1930 at pp. 842–843 of the 1933 Year Book. The following review carries the summary down to Mar. 31, 1936.

On Mar. 1, 1935, 3 p.c. 5-year bonds were issued in the amount of $115,013,637 and these were transferred to the Bank of Canada on Mar. 11, 1935, the date the Bank commenced business, in accordance with Section 25 (3) of the Bank of Canada Act, which provided for transfer to the Bank of Dominion securities equal to the amount of Dominion notes outstanding at that date which were not covered by gold and silver held by the Bank for that purpose.

An issue of $35,000,000 of treasury bills was also sold to the Bank of Canada on Mar. 11, 1935, maturing in 3 months, at a cost of $1\frac{3}{4}$ p.c. The proceeds were used to retire an equal amount of treasury bills held by the banks in connection with advances under the Finance Act, which was repealed on the date the Bank of Canada commenced business.

On June 1, 1935, a $60,000,000 domestic issue was sold in two maturities as follows: maturing June 1, 1943, bearing $2\frac{1}{2}$ p.c. interest, $20,000,000; maturing June 1, 1955, bearing 3 p.c. interest, $40,000,000. The 20-year maturity is callable on or after June 1, 1950, and was sold at a price of 98.50 and interest, to yield 3·10 p.c., while the 8-year bonds were priced at 99·50 and interest to yield 2·57 p.c. There was no conversion privilege in connection with this issue.

On July 1, 1935, the maturing issue of 5 p.c. School Lands debenture stock amounting to $33,293,471 was renewed at the same interest rate for a period of one year, with the provinces of Manitoba, Saskatchewan and Alberta.

On Aug. 15, 1935, an issue of $76,000,000 10-year $2\frac{1}{2}$ p.c. bonds was sold to the public, through the New York market, at a price of 97·75 and interest. The proceeds of this issue were used to retire maturing issues, both direct and guaranteed. This was the first public offering in the United States by the Dominion Government since the United States Securities Act of 1933 came into effect.

In September and October, 1935, an issue of $135,000,000 of bonds was sold direct to the Canadian banks in two maturities as follows: $1\frac{1}{2}$ p.c. issue of Sept. 15, 1935, maturing Sept. 15, 1936, $45,000,000; 2 p.c. issue of Oct. 15, 1935, maturing