Subsection 6.—The 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 21 years from 1914 to 1936 have been: (1) the enormous increase in net debt from \$335,996,850 to \$3,006,100,517; (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, \$2,401,659,735 being payable in Canada at Mar. 31, 1936.

Recent Funded Debt Operations.—Conversions and other national debt operations carried out between 1931 and 1934 are dealt with at pp. 905-907 of the 1934-35 Year Book, those of the fiscal year 1935 on pp. 845-846 of the 1936 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, 1937.

On June 3, 1936, an issue of \$134,703,000 was floated in Canada, principally for the purpose of conversion, only \$20,000,000 being issued for cash. The balance was made up of conversions of 1½ p.c. bonds due Sept. 15, 1936, 2 p.c. bonds due Oct. 15, 1936, and 5 p.c. bonds due Nov. 15, 1936. The new issue was comprised of two maturities, 1½ p.c. four-year bonds yielding 1·63 p.c., and 3¼ p.c. thirty-year bonds yielding 3·30 p.c. Cash subscriptions were accepted only in respect to the latter maturity.

On Sept. 10, 1936, another major issue of \$100,000,000 was sold in the Canadian market in two maturities, as follows: \$45,000,000 in 1 p.c. four and one-half year notes sold to yield 1·40 p.c., and \$55,000,000 in 3 p.c. perpetual bonds (callable in 30 years) sold to yield 3·11 p.c.

The third major issue of the last fiscal year was offered in the New York market on Jan. 21, 1937. This issue, amounting to \$85,000,000 in two maturities, \$30,000,000 2¼ p.c. seven-year bonds sold to the public at 99½ to yield 2·39 p.c., and \$55,000,000 3 p.c. thirty-year bonds sold to the public at 98 to yield approximately 3·10 p.c., was for the purpose of providing the bulk of the funds needed for redemption of \$89,787,000 5 p.c. War Loan Bonds maturing Mar. 1, 1937, payable in Canada and New York, it being the belief that the major portion of this issue was held in the United States. The remainder of the funds necessary to pay off the maturing issue were provided directly from the Dominion Treasury. The \$33,293,000 5 p.c. school land debentures due July 1, 1936, and held by the provinces of Manitoba,