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 22 years from 1914 to 1937 have been: (1) the enormous increase in net debt from $335,996,850 to $3,083,952,202; (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, $2,478,491,235 being payable in Canada at Mar. 31, 1937.

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, those of the fiscal year 1937 on p. 837 of the 1937 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, 1938.

On May 5, 1937, an issue of $113,500,000 was made in Canada for the purpose of converting a part of the $236,299,800 5½ p.c. Victory Loan due Dec. 1, 1937. This issue was a conversion operation only, no cash applications being accepted. The new issue was comprised of three maturities, 1 p.c. two-year bonds due June 1, 1939, 2 p.c. five-year bonds due June 1, 1942, and 3¼ p.c. twelve-year bonds due June 1, 1949, yielding 1·38 p.c., 2·375 p.c., and 3·35 p.c., respectively, to the purchaser.

To provide a part of the funds to pay off the unconverted portion of the 5½ p.c. Victory Loan Bonds, an issue of $100,000,000 was made in Canada on Nov. 3, 1937. This issue was also in three maturities, 1 p.c. one and one-half-year bonds due June 1, 1939, 2½ p.c. seven-year bonds due Nov. 15, 1944, and 3¼ p.c. fourteen-year bonds due Nov. 15, 1951, yielding 1·59 p.c., 2·74 p.c., and 3·34 p.c., respectively. The $33,293,000 4 p.c. school land debentures due July 1, 1937, and held by the provinces of Manitoba, Saskatchewan, and Alberta, were renewed for a further period of one year at an interest rate of 4 p.c.

In the past four years a market for short-term treasury bills has been built up in Canada which has proven highly satisfactory. Each issue has, with two exceptions (where the bills were sold direct to the Bank of Canada), been offered for public tender. A complete list of treasury bills sold by public tender for the period