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 25 years from 1914 to 1938 have been: (1) the enormous increase in net debt from $335,996,850 to $3,101,667,570; (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, $2,455,690,435 being payable in Canada at Mar. 31, 1938.

Recent Funded Debt Operations.—Conversions and other national debt operations carried out between 1914 and 1930 are dealt with at pp. 842-843 of the 1933 Year Book; those between 1931 and 1934 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 of the fiscal year 1937 on p. 837 of the 1937 Year Book. The following review carries the summary down to Mar. 31, 1939.

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 January, 1938, the Dominion offered an issue in the London market for conversion of £7,658,472 Dominion of Canada 3 p.c. Inscribed Stock and Bonds and £3,093,700 Dominion of Canada, Canadian Pacific Railway 3½ p.c. Land Grant Stock and Bonds, both of which issues were coming to maturity on July 1. The new issue in the amount of £10,000,000 ($48,666,667) bearing interest at 3¼ p.c., and maturing on July 1, 1963, was offered at £98:10s. (98·5 p.c.). The yield to the public was approximately 3·34 p.c.

On May 18, 1938, the Dominion Government offered in Canada an issue of $50,000,000 in bonds of two maturities, dated June 1, 1938. A six-year 2 p.c. bond due June 1, 1944, priced at 99·375 and accrued interest and yielding approximately