

there was no direct financing by the railways for the first time on record, owing to a change in methods of financing. Since 1936, through a change in accounting procedure, much of the borrowing for the Canadian National Railways has been done directly by the Dominion, while, since the War, the Dominion has advanced money to both major systems for the purchase of equipment.

A striking change has taken place during the present century in the markets in which Canadian bond issues are principally sold. Prior to the War of 1914-18, the United Kingdom lent most of the capital used to develop natural resources, industries, public works and railways. But, on the outbreak of the Great War the British market was temporarily cut off from the Canadian borrower and since that time both public and private borrowers have tended to look to the United States market for foreign loans. As financial needs became more pressing, the Dominion Government was forced to turn to the local market and the Victory Loans of 1917 and 1918 were the first large-scale bond financings ever attempted in Canada. Instability in the exchange rates since 1931 penalized Canadian borrowers in the United States and there was a reduction in the proportion of sales made in that country although, with the growth of the local financial markets, this imposed no hardship on borrowers. With the formation of the Foreign Exchange Control Board in 1939, borrowing outside the country became practically an impossibility and in 1940, for the first time in history, all bond sales were made in the local market. In addition, the Dominion Government repatriated a number of its outstanding securities held in the United Kingdom.

6.—Sales of Canadian Bonds, by Class of Bond and Country of Sale, 1926-40

(From the *Monetary Times Annual*)

NOTE.—Figures for 1904-25, inclusive, are given at p. 921 of the 1933 Year Book.

Year	CLASS OF BOND					
	Dominion ¹	Provincial	Municipal	Railway	Corporation	Total
	\$	\$	\$	\$	\$	\$
1926.....	105,000,000	76,633,267	65,020,194	34,500,000	250,919,200	532,072,661
1927.....	45,000,000	114,795,500	72,742,114	80,000,000	289,680,067	602,217,681
1928.....	²	92,992,500	27,120,588	48,396,000	285,083,000	453,592,088
1929.....	²	119,960,500	98,667,809	199,200,000	243,330,600	661,158,909
1930.....	140,000,000	160,004,000	109,648,063	137,238,000	220,355,000	767,245,063
1931.....	858,109,300	126,239,205	85,290,066	121,750,000	59,432,000	1,250,820,571
1932.....	226,250,000	128,217,000	95,600,632	12,500,000	10,550,000	473,117,632
1933.....	440,000,000	82,889,000	41,282,513	1,000,000	4,385,000	569,556,513
1934.....	400,000,000	139,868,000	24,690,132	32,500,000	40,902,696	637,960,828
1935.....	739,300,000	123,407,000	44,793,200	48,400,000	60,605,700	1,016,505,900
1936.....	793,000,000	118,735,000	34,356,087	133,000,000	219,983,224	1,299,074,311
1937.....	919,000,000	174,362,000	52,137,475	30,380,000	89,566,800	1,265,446,275
1938.....	903,491,667	118,792,000	35,154,344	19,480,000	55,962,500	1,132,880,511
1939.....	1,024,585,000	154,059,900	26,897,689	6,500,000	236,208,600	1,448,251,189
1940.....	2,079,946,200	156,820,000	25,211,593	Nil	25,077,000	2,287,054,793

¹ Includes treasury bill financing from 1934.

² Not reported for this year.