

1.—Composition of Total Debt of All Governments—concluded

| Item | Dominion | Provincial | Municipal | Total | Eliminations— Inter-Governmental Indebtedness | Net Combined Debt |
|---|------------------------|------------------------------|------------------------------|------------------|---|-------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Indirect Debt | | | | | | |
| Guaranteed bonds..... | 1,188,220 ³ | 162,638 | 57,935 | 1,408,793 | 14,187 | 1,394,606 |
| Less: Sinking funds..... | 665 | 7,390 | 7,088 | 15,143 | 1,386 | 13,757 |
| Net guaranteed bonds..... | 1,187,555 | 155,248 | 50,847 | 1,393,650 | 12,801 | 1,380,849 |
| Loans under the Municipal Improvements Assistance Act, 1938..... | Nil | 7,500 | Nil | 7,500 | 7,500 | Nil |
| Guaranteed bank loans and other indirect liabilities.. | 121,803 ⁴ | 59,858 | 2,433 | 184,094 | 33,580 | 150,514 |
| Totals, Indirect Debt (less sinking funds).. | 1,309,358 | 222,606 | 53,280 | 1,585,244 | 53,881 | 1,531,363 |
| Totals, Direct and In- direct Debt (less sink- ing Funds)..... | 6,013,322 | 2,179,885⁵ | 1,280,640⁵ | 9,473,847 | 258,927 | 9,214,920 |

¹ Consists of: (a) government annuities, \$156,053; (b) P.O. savings bank deposits, \$22,177; (c) outstanding money orders, postal notes, etc., \$3,598.

² Consists of: (a) Bank Circulation Redemption Fund, \$4,819; (b) insurance, superannuation and trust funds, \$138,148; (c) funded debt matured and outstanding, \$4,717; (d) interest due and outstanding, \$7,677; (e) stock payable on demand, \$17. Excludes: (a) outstanding cheques considered as offset against cash deposits, \$18,877; (b) contingent and special funds, \$278,935; (c) province debt accounts, \$11,920 (while these three items are included in "net debt" in the Dominion "Public Accounts", they are omitted in this table thus placing debts of all governments on a comparable basis).

³ Consists of: (a) total funded debt of C.N.R. System, as of Mar. 31, 1941, \$1,152,406, of which \$953,471 is guaranteed by the Dominion, \$38,132 by provinces, and \$160,803 not guaranteed by either the Dominion or provinces; (b) total funded debt of the National Harbours Boards, \$21,004, of which \$20,445 is guaranteed by the Dominion, and \$559 not guaranteed; (c) Canadian National (West Indies) Steamships Limited, bonds guaranteed by the Dominion, \$9,400; (d) New Westminster Harbour Commissioners bonds guaranteed by the Dominion, \$700; (e) future commitment of C.N.R. Company in respect of purchase price of Northern Alberta Railways Company property, \$4,710.

⁴ Consists of: (a) bank advances, \$109,010; (b) treasury bills of provinces, \$5,432; (c) loans under the Home Improvement Loans Guarantee Act, \$7,361. In addition to the foregoing, the Dominion is contingently liable under guarantees for: (a) deposits of chartered banks in Bank of Canada, \$207,994; (b) indeterminate amount in respect of loans under the National Housing Act; (c) day-to-day margins of the Canadian Wheat Board (closed out daily); (d) bank loans guaranteed under the Seed Grain Loans Act, 1938, for which a specific guarantee has not yet been given, as amount not finally determined. Major contingent liabilities listed by the C.N.R. System, other than the amount of \$4,710 referred to in footnote 3, are not included in this tabulation: these include capital stock of affiliated companies subject to call; contingent liabilities of the Grand Trunk Western Railroad Company in respect of bonds of the Detroit and Toledo Shore Line Railroad Company, the Toledo Terminal Railroad Company and the Chicago and Western Indiana Railroad Company; and the indirect liability in respect of C.N.R. pension plans.

⁵ An analysis of provincial and municipal debts by provinces is given in Sections 3 and 4, respectively, of this chapter.

Section 2.—Dominion Public Finance*

Historical Sketch.—A sketch of public finance, from the French régime to the outbreak of the First World War, appears at pp. 742-743 of the 1941 Year Book. Up to that time, Dominion revenues had never reached \$170,000,000, while expenditures reached \$186,000,000 in the fiscal year ended Mar. 31, 1914, and even this figure was an increase of almost 29 p.c. over that of the previous year.

The First World War enormously increased expenditures, and this increase had, in the main, to be met by loans. It is, however, a cardinal maxim of public finance that, where loans are contracted, sufficient new taxation should be imposed to meet the interest charge upon the loans and to provide sinking funds for their

* Revised under the direction of Dr. W. C. Clark, Deputy Minister, Department of Finance, with the exception of those parts dealing with war-tax revenue and income-tax revenue at pp. 762-769, which were revised by the Department of National Revenue.