

22.—Compensation to Provinces in Lieu of Income and Corporation Tax Revenue and Basis of Guarantees re Provincial Gasoline Taxes

Province	Annual Payment in Lieu of Income and Corporation Tax	Guarantee of Revenue from Gasoline Taxes, 1940 ¹
	\$	\$
Prince Edward Island.....	701,944	307,902
Nova Scotia.....	2,911,078	2,853,364
New Brunswick.....	3,650,067	2,101,072
Quebec.....	20,586,075	11,803,248
Ontario.....	28,964,040	26,608,290
Manitoba.....	5,654,741	2,678,149
Saskatchewan.....	5,830,471	3,397,279
Alberta.....	4,080,861	3,221,976
British Columbia.....	12,048,367	3,763,626
Totals.....	84,427,644	56,734,906

¹ Provincial fiscal years ended nearest to Dec. 31, 1940.

Loans to Provinces.—All of the provincial loans recently advanced by the Dominion have been made to the western provinces under the authority of relief legislation beginning with the Unemployment and Farm Relief Act, 1931, and these have been secured by interest-bearing treasury bills of the respective provinces, the rate being 3 p.c. since July 1, 1936. The sum total of such loans outstanding as at Mar. 31, 1944, was \$176,324,091 less write-offs of \$19,861,035, making net loans outstanding \$156,463,056, divided by provinces as follows: Alberta \$25,907,000; British Columbia \$34,533,322; Manitoba \$24,774,950; Saskatchewan \$71,247,784. Details are given in Table 19, p. 830 of the 1943-44 Year Book.

Housing loans made to the provinces in the years following the War of 1914-18, on the authority of Orders in Council passed in 1918 and 1919, and of the Appropriation Acts of 1920 and 1921, were completely paid off in the fiscal year 1943-44. The Province of Ontario repaid the whole of the advances in 1928, the Province of Quebec repaid in full in 1937, New Brunswick in full in 1938, Manitoba and British Columbia in full in 1941, Prince Edward Island in full in 1943 and Nova Scotia in full in 1944. For statistics see Table 20, p. 831 of the 1943-44 Year Book.

Subsection 5.—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. This was a comparatively small debt; it was 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 the national debt during the 30 years from 1914 to 1944 have been: (1) the enormous increase in net debt from \$335,996,850