

Under an offer ancillary to the Agreement, but which applies to all Provinces, whether agreeing or not, the Dominion will pay to the Province one-half of the Dominion corporation income tax on income of corporations derived from generating and/or distributing to the public electrical energy, gas or steam, where this is the main business of the corporation.

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, 1946, was \$175,941,005 less write-offs of \$19,861,035, making net loans outstanding \$156,079,970, divided by provinces as follows: Alberta \$25,869,500; British Columbia \$34,369,760; Manitoba \$24,759,924; Saskatchewan \$71,080,786. Details are given in Table 19, p. 830 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 expanded 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, England, being \$302,842,485 on Mar. 31, 1914, as against only \$717,453 payable in Canada.

From 1914 to 1920, the gross debt increased by almost \$1,200,000,000 to a total of \$3,042,000,000 due to heavy war and post-war expenditures, and while there was a slight reduction to a low point of \$2,544,586,411 at Mar. 31, 1930, additional expenditures during the depression years resulted in a gross debt of \$3,710,610,593 by Mar. 31, 1939.

From 1939 to 1946 there was an increase of \$15,249,235,590, incurred mainly for war purposes, bringing the total gross debt to \$18,959,846,183 at the end of March, 1946. After deduction of active assets held by the Government, the net debt showed an increase of \$10,268,846,095 during the war years, amounting to \$13,421,405,409 at the end of March, 1946.

The portion of the funded debt payable in foreign currencies decreased steadily and sharply during the war years, as was inevitable under conditions where almost the entire amount of Canada's war financing was carried out through domestic operations. Of the total funded debt and treasury bills outstanding as at Mar. 31, 1946, amounting to \$16,807,177,765, less than 1.2 p.c. was payable outside of Canada, representing \$11,843,831 payable in London and \$178,000,000 in New York.