

the conversion, 25 per cent was in such issues. The average maturity of the public debt other than Savings Bonds was lengthened from 6 1/6 years to 10 1/2 years in Canada, and is now double the comparable average maturity in the United States.

While prices of government bonds have declined in the last two months, the benefits of the Conversion Loan operation continue. I should add a comment on the market price quotations on the new Conversion bonds.

The Government at no time said it would support the current market prices on the Conversion Loan. While the Bank of Canada, acting as the Government's fiscal agent, normally operates in a manner to stabilize the "after-market" for a short period after each new loan, it is not the Government's policy to "support the bond market" over longer periods. The Government's obligation is to pay the fixed rate of interest on the Conversion Loan bonds and redeem them in full at maturity.

Far from having given any indication of supporting the market price of the Conversion Loan, the Government expressly disclaimed any such undertaking in the House of Commons. It is the play of forces in the market which determines the day-to-day price of bonds. It happens that, largely as a result of the continued erosion of the United States bond market, there have been weakening effects on market offerings for government issues in Canada. There is no way of insulating the Canadian bond market from such influences, but, had it not been for the constructive effects of the refunding represented by the Conversion Loan and its overwhelming success, the Canadian market would undoubtedly have displayed much more weakness than is today evident.

The fact clearly emerges that the recent decline in the bond market was in no sense attributable to the Conversion Loan, but has occurred in spite of it. With the exception of the period during the Conversion Loan campaign and immediately following it, the decline in government bond prices in Canada has paralleled, but has not been as extensive as the decline in the United States.

In the longest-term category United States bonds declined 12 $\frac{1}{2}$  points from April to December, while Canada's dropped 11 $\frac{1}{2}$  points. In the mid-term field the decline in Canada was distinctly less than in the United States. Thus United States 68's declined 10 $\frac{1}{2}$  points in this period while Canada 68's declined less than 7 $\frac{1}{2}$  points. The removal of the bulk of the Canada 3's of '63 and '66 from the market as a result of the conversion operation is the chief reason for this relevant difference in mid-term in bond price changes.