

In 1930-31 interest payments by the Dominion were over  $9\frac{1}{2}$  times as great as in 1912-13. This ratio, of course, reflects an increase in average interest rate, because of heavy borrowings when money was dear, as well as the increase in debt.

In 1930-31 interest payments constituted over 31 per cent of all Consolidated Fund charges, whereas in 1912-13 they were only  $11\frac{1}{2}$  per cent of charges one-third as great.

Provinces and Municipalities do not segregate all interest charges on their direct liabilities in one account, as does the Dominion, and therefore figures for these governments exactly corresponding to the above cannot be given. Their positions are, however, similar; slightly more extreme in some respects in the case of the Provinces and less so with the Municipalities.

Interest liabilities for the Provinces in 1930-31 would have met all their ordinary expenditures as recently as 1916-17.

If proportionate spending continues, in an easily calculable number of years even present total revenues would not be adequate for interest charges alone.

For repayment of debt, still further real financial obligation exists. Borrowed money must be repaid and repayment should be within the period of effective service of the investment.

On this principle, what is a reasonable term within which existing debts should be liquidated.

They cover objects ranging from funding current deficits, or grading roads, to the defence of national interests in war. Would a fair average of effective service be 20 years, 25 years, 30 years?

If 30 years, then the interest charge of the Dominion for 1930-31 of \$121,289,844 should be increased by a little over one-third, or by some \$43,000,000 of sinking fund, to represent the real annual charge upon income for service of the debt.

The extent to which the various governments are now meeting sinking fund requirements can be determined only after special enquiry, but it should be realized that proper debt charges against income are much heavier than the figures of interest alone.

All these things necessarily follow from spending \$124 to \$152 for every \$100 of income.

That large expenditures by governments have been for undertakings that are, or were expected to be, revenue producing, does not alter the financial position indicated above. It is total incomes, including any net revenues from government business enterprises, that have thus been over-expended.

What the taxpayer, as such, as distinguished from the business customer of governments, has had to bear of all the charges of government is the best practical test of general spending policy.

The position of the taxpayer will next be examined.