TOTAL GOVERNMENT EXPENDITURES VS INCOME
EFFECT ON INTEREST CHARGES

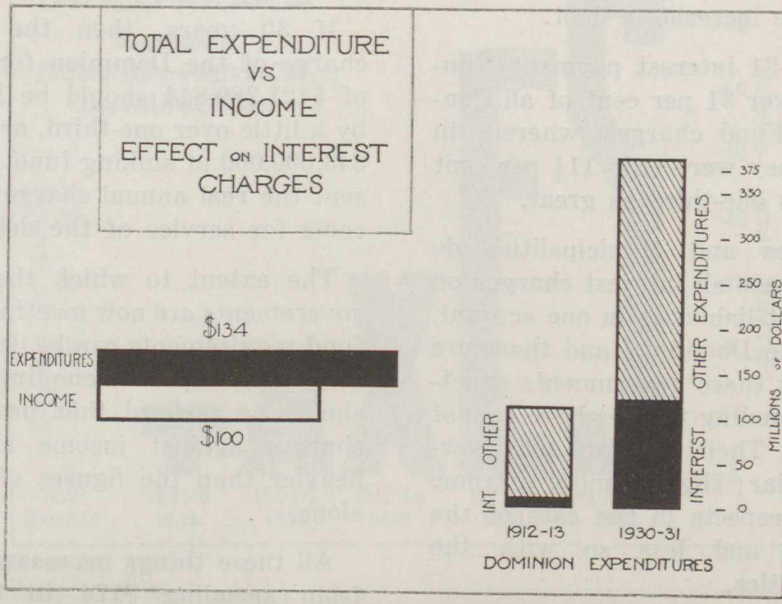

DIAGRAM NO. 7.

Canadian governments on the average during the past 18 years have been expending $134 for every $100 of income. The difference has yearly been added to debt.

This average represents also approximately the relative expenditures of the Dominion. Provincial governments have spent $152 for every $100 of income. Municipal governments, with their more restricted credit, have not increased debt in the same proportion, having spent only $124 for every $100 of income.

These calculations are based on a comparison of total income with increase in gross direct liabilities.

Money borrowed by governments creates a direct charge on income for interest and, moreover, must be repaid. Almost all direct liabilities of governments are for money borrowed for definite terms at stated rates of interest. If provision for repayment out of income is not made, other money must be borrowed to refund. Interest continues a fixed annual charge.

How interest payments on debt by the Dominion have grown between 1912-13 and 1930-31 is shown in the accompanying diagram.

Interest paid in 1930-31—$121,-289,844 — was actually appreciably greater than total Consolidated Fund expenditures for all purposes in 1912-13—$112,059,537.

Total revenues of the Dominion from all sources were never large enough prior to 1911-12 to have paid the interest bill of 1930-31.

In 1930-31 interest payments by the Dominion were over 9½ times as