

FACTS FOR THE PEOPLE

THE PUBLIC DEBT.

How it has been Created and the Items which Compose it.

THE VALUE OF THE ASSETS.

The Railway System—Assumption of Provincial Debts—The Credit of Canada—Interest Charge Per Head of Population.

The debt of Canada is made up of a variety of loans effected by the Government, some payable in London and others payable in Canada. For part of this debt, debentures, or certificates of indebtedness, are issued, which have a long time to run before Canada can be called upon to pay the principal sum. For instance, the money borrowed in London in 1885 is not due till 1935, when, if it is not thought desirable to pay the principal, the amount may be carried for another term of years, by issuing new debentures. Another part of the debt is money deposited by the people of Canada with the Government in the Governmental and postal savings banks. Still another part is composed of the Dominion notes which pass current throughout Canada, and for which, of course, no interest is paid. Many of the long loans, the big notes of hand given by the Government on behalf of the people, and maturing chiefly in the second quarter of the next century, have sinking funds attached to them. The object of these sinking funds is to provide means, in part for paying off the principal when it comes due, out of a fund annually added to by a fixed amount set aside from the general revenue for that purpose. Thus the loan of money obtained in London in 1884, bearing 3 1/2 per cent. interest, has ten shillings for each £100 set apart every year to form a fund, which by its annual accumulations will be available to enable the Government to redeem the promise to pay in 1935. These sinking fund moneys become investments bearing interest and are set off against the general indebtedness when we want to find the net debt. These investments amount now to about seventeen million dollars. There are other investments, provincial accounts, etc., which form assets, also to be set off against the gross debt. Every few years the public accounts' committee goes over these assets carefully and weeds out the items which do not appear to be good assets; the remainder form what may be called the first class of assets. The public works and buildings generally, held by the Government as trustees for the people, are not included in the assets deducted from the gross debt; they represent an expenditure of one hundred and fifty or one hundred and sixty million dollars, and are the property of the people of Canada; they include railways, canals, and the public buildings scattered all over the Dominion, also the public domain in the Northwest. These form what may be called the second class of assets. They do not include railway bonuses, such as the amounts paid to the Canadian Pacific Railway company and its various connections and extensions, as the country's contribution in aid of that enterprise. Deducting only the first class of assets, according to the system followed by the Government. Hon. Mr. Blake says that the net debt on the 30th June last was \$320,000,000. This debt he declares to be too large, and one that only a very reckless and extravagant Government would have created. Taking Mr. Blake's figures, we proceed to analyse the statement of the debt of Canada to see if his charge of reckless extravagance is borne out by the facts.

ANALYSIS OF THE DEBT.

Net debt as stated by Hon. Mr. Blake.....	\$320,000,000
Deduct provincial debts assumed by the Dominion Government under the Union act, 1867, and subsequent adjustments.....	107,800,000
And there remains as strictly Federal debt, increase since 1867.....	\$112,200,000

The reason for deducting the provincial debts assumed by the Dominion Government is obvious; we desire to find out how much of the increase has been caused by the Federal Government since Confederation. The sum of \$107,000,000

includes the amount of debt due by the old province of Canada over and above the amount that province (now Ontario and Quebec) was allowed on entering the Confederacy in 1867. It also includes monetary arrangements with all the other provinces at that time and since, according as new provinces entered or further transfer of burdens from the provinces to the broader shoulders of the Dominion have taken place under successive acts of Parliament, the latest being that respecting Manitoba, passed last session. Having shown that \$107,000,000 of the Federal debt have been caused by the Federal Government taking over debts which otherwise would have been owing by the provinces, we come next to the consideration of the remaining

ONE HUNDRED AND THIRTEEN MILLION DOLLARS

How has this amount been added to the debt? We have spent upon the Canadian Pacific railway and upon the Intercolonial railway with its connections—the Point Levis branch, the eastern extension and the St. John and Halifax terminal additions—the sum of \$103,000,000, including the ten millions of the loan to the Canadian Pacific railway, for which the Government deducted seven or eight millions acres of the original land grant of twenty-five million acres, giving the company increased money subsidy and corresponding decreased land subsidy. Deducting the expenditure on railways as above mentioned, we have still ten millions to account for. This sum is made up first, by the payment of the purchase money for the great Northwest; second, by the deficits during Sir Richard Cartwright's term of office as finance minister, and third, by the discounts and charges on the several loans that eminent mixer and sunder obtained. These two latter additions to the public debt amount to \$9,300,000 and form part of the price the people of Canada had to pay for dear-bought experience of Grit's incapacity.

This is the whole story of the present Government's "extravagance" in a nutshell. The "extravagance" consists first in having purchased and surveyed the Northwest and second, in having spent a large amount of money in the development of the railway system.

THE NORTHWEST EXPENDITURE.

The purchase of the Northwest Territories is not necessary to defend. The people of Canada have from the first "held up both hands" in favour of that extension of the area of the Dominion. At sixty cents an acre the land belonging to the Federal Government in the Northwest would suffice to redeem the whole gross debt of Canada.

THE RAILWAY SYSTEM.

The railway system is either beneficial to the country or it is not. If it be not, if it give no promise of being so, then the Government is deserving of censure. If it is beneficial then the Government merit praise, not blame; commendation, not condemnation; support, not opposition, for the part they have taken in developing our railways. It is admitted that the Intercolonial railway, besides being an obligation as one of the terms of union, has been a good investment for the country. The wonderful advance in population and in products made by the counties through which it runs, conferring all the advantages a great river would, has been such as to justify the expenditure on the ground of the local development which has followed its construction. The increased inter-provincial trade done in consequence of its construction would also alone justify the expenditure and consequent addition to the public debt. The two facts together are the ample justification for the expenditure on account of the Intercolonial. Moreover, it has nearly paid its way. Since 1880, the earnings have been in the neighborhood of fifteen millions, and the working expenses about a hundred thousand dollars more, showing a close approximation of earnings to expenses.

THE GREAT NATURAL HIGHWAY.

The amount of money spent upon the C. P. R. by the country is large. It has been crowded into five years instead of being spread over the ten years allowed the company to complete its construction. Had the contract time been fully taken the yearly additions to the public debt on account of the C. P. R. would have been comparatively small and the interest per head to be paid (which is the measure of the burden of the debt) would have been little, if any, more

than the average of past years. Crowded into one half the time originally contemplated there may be for a few years an increase in interest to be paid of three or four cents per head. After that by greater increase of population the burden of interest will necessarily be much less than it is. In 1870 it was \$1.59 per head. With the whole Governmental expenditure on account the Canadian Pacific railway paid it may be \$1.63 per head for a couple of years. By the end of 1890-91 it will be, at the present rate of increase of population, only \$1.50.

The question is whether the Government acted wisely in urging on the construction of the Canadian Pacific railway in order to have it finished in the midsummer of 1888 instead of making haste slowly and waiting till 1891. The Government thought it well to aid the company to secure completion in 1886 believing first, that the more rapid development of the country would more than compensate for the temporary addition to the interest burden of the people; second, that the times were favorable for procuring the money; third, that the company's chances of success would be greater with the earlier completion of the road; and fourth, that it was advisable in the interests of the country and the company for the Canadian Pacific railway to be removed from the arena of politics as soon as possible.

The whole question narrows itself down to this: Increase of the public debt and the Canadian Pacific railway completed five years before the contract time; or, slower increase of the debt and the Canadian Pacific railway lingering on unfulfilled till 1891. If the Government had found that it could not obtain the money required except at a ruinous rate of interest, then it might well have paused. That, however, was not the case.

THE CREDIT OF CANADA

has never stood as high as it does now. The last loan Sir Leonard obtained at 4 per cent. and got the face-value of the bonds and \$212,000 over in premiums, without having to provide a sinking fund. Sir Richard Cartwright had to pay four and a half million dollars in "shaves" to the money lenders before he could float his loans. The condition of the money market was therefore most favorable for borrowing the money. In future years it may not be so favorable, owing to greater demand for money in the money leading markets. It was therefore wise to seize the chance if it could be done without straining the credit of the country. The result has shown the wisdom of the course pursued. The terms of the last two loans were the best the country has ever had. The bonds of Canada now sell in open market 13 per cent. higher than they did in 1878. The credit of Canada has been enhanced instead of being reduced.

Then as to the effect upon the people of Canada of the extension of the railway system the Government can point to the following facts: First, that the cost of transport has been greatly diminished by the competition induced, and second, that thousands upon thousands of the people have had given them the great boon of increased railway facilities, which they would otherwise have been without for many years.

As to the diminished cost of transport the fact shown by the public records is that the cost per ton and passenger in 1870 was fifty cents less than in 1878. At the rate of 1875, the people would last year have had to pay \$12,000,000 more than they actually did. \$12,000,000 is the interest on \$300,000,000. The Government have spent \$103,000,000 on railway development and the effect has been that the people have secured a boon to obtain which the Government would have been justified in spending \$300,000,000.

Summarizing the statement of the debt of Canada we have these results:

Net debt	\$320,000,000
made up as follows:—	
Provincial debts assumed by the Dominion	\$107,000,000
Moneys expended on railways	103,000,000
Money for purchase Northwest by Sir Richard Cartwright's deficits	4,500,000
Sir Richard Cartwright's losses on loans obtained	4,800,000
Strictly Federal debt.....	\$320,000,000
Increase Grit period, 1874-78,	\$113,000,000
years.....	
Increase Liberal-Conservative periods, 1869-73, 1878-86	40,300,000
years.....	
Average increase per annum,	73,000,000
Grit period.....	8,000,000
Average increase per annum, Liberal-Conservative.....	4,900,000