

GOVERNMENTS AS COMPETITORS IN THE MONEY MARKETS

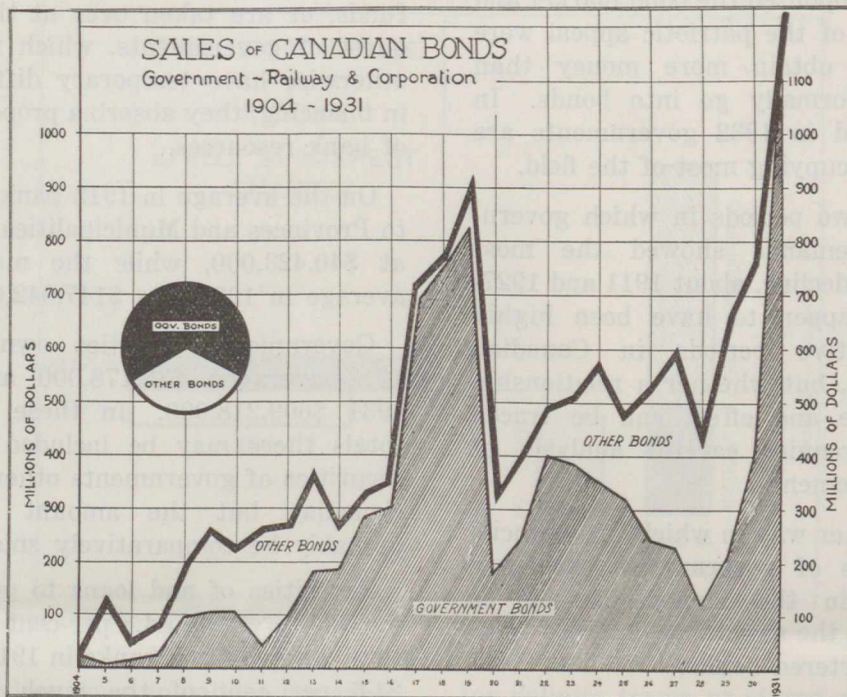


DIAGRAM NO. 6.

If governments borrow money they must get it out of the general world fund of money available for investment in fixed-interest bearing securities.

At any particular time this fund has more or less definite limitations. The amount available for any one country is also subject to limitations. What one applicant obtains must have some effect on what others can get. With their broad base of credit, governments are formidable competitors for bond money.

Diagram No. 6 shows total sales of Canadian bonds from 1904 to 1931 and the proportion year by year consisting of government bonds. The figures used are those compiled

throughout this period by the Monetary Times. The heavy outline shows total bond sales and the shaded figure the proportion sold by governments.

The inset figure shows the proportion for the period as a whole—64.2 per cent government and 35.8 per cent all other.

The diagram deals only with straight government bonds, Dominion, Provincial, Municipal and School District. Bonds guaranteed by a government and sold on its credit are not included. If bonds guaranteed as to both principal and interest by the Dominion since 1922 were transferred to the class of government bonds, the proportion of the