CON

Nov. 1932

Government adopts "credit Easing policy by issuing \$35,000,000 in Federal notes to the Banks, causing a rise in the premium for U.S. funds in Canada from 8% to 15%

Canadian payments in New York for year 1933 principal and interest:
Federal Government \$108,244,576 (a)
Provincial 70,600,073
Municipalities 25,136,536
Corporations 62,142,915
\$266,124,100

Budget for 1933 \$383,000,000

Deficits 1930 - 1931 (March 31) \$ 65,000,000 (a) 1931 - 1932 \$161,000,000 (b)

Indebtedness
Dominion of Canada
Direct

Canada 1933

Direct \$2,597,676,637

| Guaranteed | 1,000,285,413 | 33,597,962,050 | \$359.per capita)
| Provinces | 1,411,796,635 | 1,323,094,066 | \$6,332,852,751 | \$633.per capita)
| Corporations | 1,427,215,481 | \$633.per capita

\$7,760,068,232

Federal Loans
Interest and principal payable

\$390,162,066

Government Financing 1932
Last National Service Loan - in effect a loan
of coercion.

Jan. 1933 - Inflation

Demand of agricultural communities, as well as debtors generally, for further depreciation Canadian dollar.

Feb. 1933 Taxation - Expenditure

". Limit of taxation in Canada has nearly been reached" - Bennett.

" Canada cannot much longer stand C.N.R. drain on Federal treasury" - Beatty.

Feb.1933 - Heavy selling Canadian securities and withdrawal balances caused Canadian dollar in London to drop from \$4. to \$4.20 bringing premium on N.Y. funds in Montreal up from 185% to 22 - 23%.

Premium on N. Y. funds rises from 194% to 20-5/16% - market nervous and not normal.

No provision for calling various issues of Government before maturity. Patriotic appeal would not apply to large foreign holders.

Unknown Exchange Factors

Amount of balances of American
firms and individuals on deposit with Canadian
banks which may be withdrawn.

Extent of liquidation by London, Continent and U. S. of Canadian securities.

Effect of municipalities other than Calgary refusing to pay bond interest in U.S. funds.

Extent of further inflation.

193

After allowing for seasonal borrowings by Banks under Finance Act only \$20,000,000 of this amount has "taken" so far.

(a) Includes 1 year notes issued for \$60,000,000 which will be renewed.

Gold shipments 1933 estimated to amount to \$75,000,000.

Reduction of \$11,000,000 over 1932.

(a) Met by additional taxation and loans

hegotiated in New York.

(b) Met by additional taxation and by National Service Loan

(c). To be met by increases in and tightening up of income tax and by borrowing.

Favorable balance of \$50,000,000 in foreign trade. Curtailment of purchases from United States. Development of export trade as result Imperial Conference.

With the general contraction of business the favourable balance may not seem so much, as Canada was more prosperous when it had large unfavourable trade balances in the United States, meaning good credit.

Federal Loans
Of this amount approximately \$200,000,000 is represented by tax free loan which matures in November, which will be replaced by taxable issue, leaving only one tax free issue outstanding in Canada, maturing 1937.

Return too low: 4% coupon not popular, unattractive commission to dealers.

Jan.1933 Prime Minister in public statement announces policy sound money - no inflationno linking Canadian dollar with pound sterling.

Bankers firm against inflation.

Prime Minister hopeful results
of World Economic Conference, and that if in-

of World Economic Conference, and that if inflationary movement becomes sufficiently powerful that it will first find expression in U.S.

Feb. 1 Apparent Canadian Government support of funds in N. Y. Market reducing premium from 22 - 23% to 18%.

Feb. 10th
False rumours circulated Ottawa

New York of secret session Parliament credited to bear exchange operators.

Canadian high grades strong on rumour Canadian banks will reduce interest rates on savings deposits from 3% to 2½% or 2% thus forcing bank deposits into Government bonds and paving way for lowering interest rates and effecting possible saving of \$20,000,000 per annum.

Unknown Exchange Factors

Amount of Canadian balances or securities to be repetriated.

Possibilities of Canadian borrowings in New York and London.

Movement of U.S. dollars to Canada for deposit in Canadian banks.

Result of tourist traffic 1933 (1932 - \$150,000,000).

New gold discoveries.

Possibility that Canadian holders of securities payable in U.S. funds will be paid in Canadian funds only.

An early settlement of war debt question.

mens py and by Hawbury.

ARCHIVES PUBLIQUE

W.L.M. King (M.G. 26, J

Papers, Memoranda and 4, volume 166, pages

Notes, 1933-1939 Cl18551-Cl19254)