

ought to be the statement of the national debt of this country. Endorse the bonds if you will, but do not keep the people in the opinion that our debt is going down when the debt which we are obligated for on our own system is going up, and is ignored. Why is it that money advanced to be used for capital should be added to our debt, or that money obtained on our endorsement and used for capital should be added to our debt? Well, Mr. Speaker, I will tell why: Because it is not represented by anything which, according to the system in vogue in Canada, can be called an active asset and deductible from the gross debt to get the net debt. Hon. gentlemen will remember that in 1919-20 the Minister of Finance of that day took \$282,000,000 of assets—mortgages we held from railways, others of a like character, assets represented by those mortgages, which, because we held the mortgages, had always before been taken off the gross debt—and he said: "These are not carrying any interest; these are virtually, for the moment at least, dead; it is not right, it is not straight to have them appear as deductible from the gross debt to get the net debt." And he wrote them down and put them into the debt of Canada, refusing any longer to deduct them from the gross debt.

I may remark just in passing: hon. gentlemen often hear about the large increase in the debt in 1920; \$282,000,000 of that was just as much our debt years and years before as it was then; but only in 1920 was it put into the debt in order that the people of Canada might know the facts. These mortgages we take now from our own Railways Company, whether we take them to secure our endorsement or take them to secure our advance—these are mortgages that the railways cannot pay interest upon and do not claim that they can. Therefore the late government always had the matter so financed that these were treated as non-active and therefore not deductible from the gross debt but included in the net debt of Canada. This is why I say that in arriving at any fair statement of our position we are bound to treat all of these as non-active assets—until the day comes, as I hope it will, when the returns of the Railway will be such as to turn those non-active assets into active assets and pay us our interest, or part of it, upon those amounts. Then it will be just to deduct them from our gross debt and therefore not include them in our net debt. But until such a day comes, it is neither the practice of governments which have gone before nor should it be a practice to-day to treat them as real assets in the sense of active assets deductible from the gross debt of Canada.

The hon. member for North Waterloo (Mr. Euler)—and I was really surprised to hear him say so, though he put it in a pretty cautious form, said: "I think there is a surplus. I do not claim that it means a deduction from the debt, but it is a surplus on the year's operations, because when money goes into capital out of which later on our earning power will be better, it should not be charged against the year's operations." But the surplus the minister was endeavouring to prove was a surplus over capital and everything else. And besides, in the handling of the books of the country, as the minister well knows and everyone of us well knows, moneys put into capital are, by the millions every year, taken from ordinary expenditure and charged against the year's operations, and in this country as in others it is right that it should be so. How, after this, are we ever going to compare any year fairly and intelligently with any previous year? "Debt reduced" appears on the records—\$30,400,000. Well, add \$72,500,000 and you have the debt increased by \$42,000,000 the year just passed. Does the minister say we should not add the 22½ millions which went into equipment? If he will look at the year before he will find that the Minister of Finance (Mr. Fielding) advanced in cash out of the treasury for equipment and added it to the debt. If he will look at the year previous he will find that the minister advanced in cash again for equipment, and if he will look at the year previous to that again, our year, he will find that we advanced \$14,000,000 odd for equipment—all certainly going into realizable assets, but going into a concern which could not pay its way, could not pay interest; therefore our obligation in respect of it should have been and was added to our net debt.

Hon. members one after another rise in their places, pat themselves and say: "Thank heaven we are past the day of deficits. Thirty millions of a surplus, and we are going to reduce our taxation because of that surplus." Well, may I ask why the minister did not endorse the bonds of the company for the 25½ millions also instead of advancing the money. Then we would have had a surplus of \$55,000,000—and imagine the glee of hon. members. No sooner had the Acting Minister of Finance delivered his speech than the hon. member for Last Mountain (Mr. Johnston) rose and declared that it was a great encouragement to the taxpayers of Canada that at last we had a surplus. With what wonderful acclaim would he have given utterance to his feelings had the surplus been \$55,000,000! There is something else the minister could do which would be just as logical as what he has done. Why could he

not incorporate a company and call it "Liberal Government Incorporated?" The country could own all the stock, and then every year instead of borrowing money or using our revenue to pay our debts, just endorse the bonds of that company; he could take care of our annual expenditure in that way and we would thus "reduce" our national debt by the entire revenue, \$300,000,000 to \$400,000,000 every year. This is the process which the Acting Minister has started. Where is he going to stop? The debt of this country to-day should be marked up in the books as increased by \$42,000,000.

The minister says, and he says with more show of right than in respect of his other contentions: We have some \$15,000,000 of the last \$50,000,000, the proceeds of our last endorsement, in the treasury, and this should be set off. Well, in one way it should, but to compare with other years, it should not, and for the simple reason that in other years when the money was advanced for this purpose there was also an unexpended sum. Following the practices of other years, which should be done to make our book-keeping clear and in sequence, this cash should not be deducted either, and I venture to say that next year the minister will not take this \$15,000,000 and say: This was advanced or guaranteed in the year 1924-25, and not in the year 1923-24. No, by the method previously adopted—the right method—our debt now has been increased by \$42,000,000, a little more than the increase of the year before. Mr. Fielding advanced \$98,250,000 and this government in reality advanced or guaranteed to the National Railways \$97,000,000 and a fraction, practically the same as was advanced the year before.

I have given our financial position, but before I close this phase of the subject I want to make reference to a contention which the Prime Minister has pressed once at least in this House, a contention by way of complaint of the conduct of the late administration in respect of the taking care of war obligations during the currency of the war. I have heard his words re-echoed from various quarters of the Commons, words to the effect that the late government by dereliction, the insinuation always being because it was protecting its friends, "the interests," did not take care of any capital war obligations during the progress of the war, and con-

sequently that the burden of this government is so terrific that only an extraordinary government could bear it. Well, a lot depends on what you would call the "capital" cost of the war. I do not know what the Prime Minister means by it, but I know that in other enterprises capital cost is all costs during their continuance. I know in the statutes, under this government, or former governments of the same party as this, no matter what the enterprise, provision was made even for interest on the cost during construction, during its continuance, being taken as part of the cost. But I do not intend to include interest. I am ready to treat interest on war debt during the war as the carrying cost of the war. Nevertheless we had to get the money and to pay it, and it was directly due to the war. But I wonder if pensions paid during the contest were not part of the capital cost. I wonder if the hospitals of the Department of Civil Re-establishment were not part of the capital cost of the war. Is it only part of the capital cost when the money you get is to buy ammunition for the soldier to shoot, and not the money you have to get to help your own men after they are shot?

Mr. MACKENZIE KING: Does my right hon. friend contend that the pensions we are now paying are part of the capital cost of the war?

Mr. MEIGHEN: After the war is over the capital cost of civil re-establishment continues for a while on a reducing scale, until finally it goes out. There are also pensions for a long time, gradually reducing until they go out, but during the continuance of anything, the capital cost is all its costs, and pensions are as much a capital cost as anything else. It does not matter whether you call it capital cost or not; but I am prepared to call it that, because it is. The carrying cost is the interest on the cost; the other is wholly a part of the cost of the war. But does it matter what we call these things as long as we know what we have to pay? The fact is we had to pay it, and get the money to do so: I have the figures here from the year 1914-1915 on to 1919-1920 inclusive, the receipts, the total expenditure for everything, the deficits and the war expenditure, and I would ask that the details might go on Hansard: