

lay in my power to bring about sane, sensible monetary and credit reform, and what I have done will stand on the records long after my hon. friend's talk has vanished.

Mr. LANDERYOU: I appreciate that, Mr. Chairman, but I notice that the Minister of Finance does not agree with the policies advocated by his associate, with whom he must cooperate in the administration of this legislation.

The CHAIRMAN: Order. The hon. member must confine himself to the item. I will not permit him, under this item, to continue to discuss monetary questions in general, and I have made my ruling.

Mr. COLDWELL: Before the clause is carried, may we have an explanation of just exactly what it involves. That is really what we want to hear.

Mr. LAWSON: Before the minister rises to speak, I have been waiting for a chance to ask—it combines with what has been asked—why this method of proceeding?

Mr. DUNNING: That is what I was going to deal with. Sections 17 and 18 comprise the financial method. As hon. members of the committee know, in every country the problem of arranging for the financing of large national defence expenditures is very difficult and serious. In the last few years, practically since the war, no expenditures for national defence have been capitalized in any manner in Canada; the expenditures have been met from year to year out of the general revenue of the year; and to the extent that a general over all deficit was created, to that extent the public debt was increased by borrowing to meet the deficit. The growing expenditures in Canada on national defence, part of them of what might be called a capital nature—that is to say they are not immediately consumable but have an ascertainable lifetime of possible service—involve that we give consideration, unless we are prepared to keep on throwing them into a general deficit and thus disguising what our real position is, to evolving some method of separating the annual ordinary expenditure on defence, on the one hand, such as for pay and allowances and materials which are consumed during the year, and on the other hand, for permanent works, such as fortifications and permanent mechanized equipment, which has a certain life. An attempt has been made in this year's estimates to separate one from the other and to capitalize those items which have a value extending over a period of years.

Mr. WOODSWORTH: May I here ask the minister how these differ from, we will say, ordinary public works as regards capital expenditures?

Mr. DUNNING: They do not. That brings me to the second phase of my subject. I shall immediately be asked, why do you not carry out the sinking fund method with respect to the whole public debt? Most hon. members know I have many times stated that to be an ambition of mine, and one which I hold very dear. But I have also stated to the house—and I do not want to go out of order; I am dealing with the method of capitalization involved in sections 17 and 18, and that involves the sinking fund method—that I do not want to start in respect to debt generally a sinking fund which would be only a paper sinking fund. One of the tragedies of sinking funds, even in England, is that although they express the desire of parliament and of the government to set aside so much each year, it frequently happens that it is necessary to ask for a suspension of the fund for the current year. Any sinking fund which could be devised in Canada to-day for the whole of the public debt which would be within the capacity of the people to pay in addition to what we are already collecting, would not effectively deal with the problem along that line. What I am suggesting here with respect to national defence expenditures is something which I sincerely hope will be gradually spread to the other fields of which the hon. member for Winnipeg North Centre has spoken.

Mr. WOODSWORTH: I was thinking, not of a sinking fund, but, we will say, the amount spent for post office buildings in contrast with payments for the carrying on of the regular postal services. The minister does not distinguish in that case, does he?

Mr. DUNNING: Oh, yes, we do distinguish. The Public Works Department erects the buildings for the Post Office Department.

Mr. WOODSWORTH: Yes.

Mr. DUNNING: True, their value is not charged against the post office operations; but that is another reform which I hope I may be able to bring about if I am here long enough. This is away from the subject, if my hon. friend will forgive me for saying so, because the principle we are here seeking to set up is that national defence expenditures of a capital nature, arrived at in the manner I have just described, shall be spread over ten years, and that there shall be voted each year in the estimates of the Department of National Defence a sum chargeable to that year, sufficient to amortize the whole over