

Yes, there are bonds you can endorse and even moneys you can advance without any need of adding to the debt. For example, if you endorse bonds to pay off other bonds, that does not add to the debt of our company and need not be added to our debt, or if in a given period you endorse bonds to no greater amount than you actually reduce the funded debt of our company by, then certainly you do not need to add to our debt. But the moment you endorse bonds and make this country liable for an amount greater than you reduce the funded debt of the company by, then it is no less than misrepresentation not to add the amount to the public debt of Canada.

Mr. MACKENZIE KING: Does my right hon. friend say that with respect to the bonds which his government endorsed, part of the money was not used to pay off deficits, to pay interest or sinking fund?

Mr. MEIGHEN: I will give the answer immediately, and I hope the Prime Minister will follow me. The facts are here in a return which I have from the department, and they go back to the origin of the National Railways—because no argument applies before that time. The National Railways are ours; their debts, their obligations if we make ourselves responsible, are ours. We endorsed bonds to the extent of \$100,000,000, \$25,000,000, in each of the years 1920 and 1921 for each of the systems, the Canadian Northern, or the National as it was then called, and the Grand Trunk. Of all the bonds advanced to the Canadian Northern the whole amount was for refunding, while of the advances to the Grand Trunk some 12½ million out of one and about 2½ millions out of the other—I have the exact figures—were used for general purposes. But we actually advanced in cash, which was represented in the debt, more than twice that sum, which was applied to the refunding of the debt of the Grand Trunk and the Grand Trunk Pacific. In a word, the aggregate of the amount we endorsed which does not appear in the national debt of Canada was less by about \$15,000,000 than the amount that was actually applied for refunding. This is the record of the late government. Is this money, may I ask, the \$50,000,000, to be used for refunding, this \$50,000,000 which was endorsed in February? Will the hon. minister say so? He told the House in his budget speech it was for capital. Certainly the endorsement of last year, 22½ million for equipment, was not for refunding. The whole \$50,000,000, on the minister's statement, and the whole 22½ million

[Mr. Meighen.]

as well, should in justice be added to the debt of Canada to-day.

It was suggested by the Minister of Railways: "Oh we should not add it to the debt because it is going into capital." Some of it doubtless is; all of it is not. I do not know whether a large proportion is, but I do not care if every dollar of it is; it should on a fair presentation go into the national debt of Canada. I do not want to be misunderstood; I am not necessarily objecting to the endorsement of the bonds. I think generally it is better to advance the cash, but this is not the point I am pressing. The point I am pressing is as to what 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