

Senator LAMBERT: It is a pretty broad question, but I would say it is a matter of projecting into the future a certain philosophy or policy, or putting away or building up some kind of reserve to take care of it.

Mr. BRYCE: Yes. Even in our own case, we will end up this year by assuming a deficit. As the Minister of Finance has said, the deficit will be a good deal less than he forecast in our budget. I would not be at all surprised but what that deficit will be less than the amount we are charging for our accruing liabilities on our employee pension plans, which runs to something over \$200 million a year. That is a deficit that we are recognizing for our future liabilities; but we are not paying anything out. It is that sort of thing that creates our deficit. Our civil servants are earning future pension rights which we recognize as a charge into our costs, and which you can say that this year will be what creates our deficit. If you think of the money that we take in by way of taxes and pay out in expenditures, other than that sort of accruing costs, we are now taking in more than we are paying out.

Senator POWER: On the theory of Gladstone, that if you only have £1, and you spend 21 shillings you are in deficit; but it is not that simple nowadays.

Mr. BRYCE: No; and for governments now to disentangle their whole array of transactions, including borrowing, and lending, and to try to assess their economic effects, is a very complicated matter. We put out in the budget this past year some figures on what we called our budget, in terms of not the Public Accounts that we normally use, but the national accounts, which is what the statisticians use in calculating the national income, or the gross national product—the economic magnitudes. That showed that the Government was taking in as much as it paid out, if I can put it in the most crude terms, and that in terms of the economy as a whole we were not doing what is called deficit financing. Indeed, if you look at it that way, we are no longer running a deficit, but perhaps a slight surplus.

Senator LAMBERT: The loans to provinces each year are assets, then?

Mr. BRYCE: We exclude from that the loans we make to Central Mortgage to make mortgage loans to individuals. We exclude that sort of thing, but we certainly treat as expenditures the moneys we pay over to provinces to help them meet their requirements.

When we get into this question of deficit financing, you have to take into account all these kinds of considerations and relate them to what the economic role of the budget ought to be. When you look at it in that way, our accounting figures are less significant than our economic figures. It is rather a long story to go into, but if the committee on some other occasion would like to do that systematically, we can produce material.

Senator LAMBERT: Does not a great deal of the soundness of this argument or point of view depend on the extent of your capitalization? In other words, is it not just as possible for a country like Canada, as for a large industrial corporation, to over-capitalize itself, so that it even has not the ability to pay dividends, if necessary, in relation to the taxpayer. Where does the line of demarcation come between solvency and insolvency in relation to capitalization in the country's affairs?

Senator CROLL: I suppose the answer is that a country cannot become insolvent. I have never heard of a country becoming insolvent. It can become temporarily hard up.

Mr. BRYCE: Of course, a country can get into a hopeless state of inflation.

Senator BAIRD: You cannot pay your debts if you are insolvent, can you?

Senator CROLL: The figure that you gave on human depreciation, is that an annual figure?