

on our public debt and go into general bankruptcy. I remember reading—it must be at least fifteen years ago—a statement made by Sir Vincent Meredith, then President of the Bank of Montreal, in his annual report to the shareholders, to precisely the same effect. He said that the country could not continue to go on bearing those tremendous annual deficits. As I say, honourable senators, that was at least fifteen years ago. I venture to think that in the meantime the country has managed to carry the annual deficits of the Canadian National Railways without too much of a burden upon the public treasury, and that the burden has not prevented a considerable increase in our national wealth.

When I am met with those dismal and gloomy statements about our rapid pace along the road to bankruptcy and repudiation, I like to consider two or three facts, which I wish to place before the House. As we were told in the special committee, the Dominion Bureau of Statistics estimated that, account having been taken of all the factors that could be considered in such an abstract calculation, the national wealth of Canada increased in 1937 by \$200,000,000. A second cheerful factor is the repatriation to this country of our foreign debt. I quote from an article which appeared in the *New York Times* with reference to the monthly review of the Bank of Nova Scotia for March last. The article says:

Due to the Dominion of Canada's large net credit in international transactions in the last five years, Canada is paying its external debts "on a very considerable scale," according to the Bank of Nova Scotia in its monthly review. Basing its calculations on figures of the Dominion Bureau of Statistics, the bank places Canada's net credit from 1934 to 1939, inclusive, at approximately \$1,000,000,000, or larger than the previous high, which was in 1924 to 1928.

Thus, receipts from abroad arising from merchandise exports, gold shipments, tourist trade, interest and dividends, greatly exceeded corresponding payments abroad. The bank points out that the surplus has been chiefly utilized in reducing Canada's foreign indebtedness and only to a limited extent in increasing her external investments and other assets.

A reference to this same matter was made by the Minister of Finance in his budget speech delivered in another place on April 25 last. He said:

It is not generally recognized, I think, that as a result of such transactions Canada has been a net exporter of capital to the extent of over \$900,000,000 during the last five years. This is a tribute to our inherent financial strength and an evidence of increased ability to withstand financial storms in the future.

May I refer to another part of the same budget speech? He points out that the per capita public debt of this country is from 15 to 25 per cent lower than in three other

countries of the British Commonwealth: Great Britain, Australia and New Zealand.

Right Hon. Mr. MEIGHEN: Does the honourable gentleman not realize that the figures of our debt as compared with that of Great Britain, Australia or New Zealand, do not include our indirect railway obligations?

Hon. Mr. HUGESSEN: I beg my right honourable friend's pardon. The Minister of Finance was referring to the public debt, in which the Canadian National Railways' debt is included.

Right Hon. Mr. MEIGHEN: Such of it as is represented as debt. The vast part of it is represented, not as debt, but as guarantee, and that is not in the public debt at all.

Hon. Mr. HUGESSEN: I think my right honourable friend is mistaken. If I remember rightly, the public indebtedness of this country, including the debt of the Canadian National Railways, is approximately eight billion dollars, and it was that figure which was taken into account in the making of the calculation I have quoted.

Hon. Mr. HORNER: May I ask the honourable gentleman a question?

Hon. Mr. HUGESSEN: Certainly.

Hon. Mr. HORNER: Did the honourable gentleman notice the comment made by Premier Aberhart, of Alberta, with respect to Mr. Graham Towers' statement?

Hon. Mr. HUGESSEN: I was not fortunate enough to notice that.

Hon. Mr. HORNER: He said that if Mr. Towers' statement was correct, this country would have to be ruined financially in order to be completely successful.

Hon. Mr. HUGESSEN: As I was saying, I think there is considerable support for the view that the annual deficits of the Canadian National Railways are not so important nor vital, nor nearly so unbearable, as they are sometimes made to appear.

It cannot but be admitted that taxation is higher in consequence of the railway deficits which we have to bear. We are sometimes told that this high taxation is stifling private enterprise and preventing industry from forging ahead. I doubt whether it is a matter of positive proof that high taxation does stifle industry. It depends a good deal on the type of taxation. The principal federal taxation which industry has to bear is the sales tax, which is passed on to the consumer, and the income tax, which is levied only to the extent that income is earned. There are examples of countries with high levels of taxation, even higher than our own, which

Hon. Mr. HUGESSEN.