

Financial Administration

score method of accounting with so much below and so much above the line. I do not want anyone to cross-examine me on what that means, because when I play bridge it causes a panic and therefore I do not play. I am merely quoting from an ex-minister of finance.

I just want to say a word about this capital and revenue being tossed in together. In the early days of confederation there was a plausible phrase, "capital expenditure" which got them out of a whole lot of trouble. When there was a depression the finance ministers were inclined to make really quite unwarrantable charges to capital expenditure. Indeed one finance minister is reported to have swollen his revenues and reduced his outlays by judicious use of this phrase "capital expenditure". For example, railway subsidies were for a long time regularly charged to capital account.

We have made improvements since that time, but I am going to add a query in a moment or two because, as I understand it, there is nothing that I can discover in this legislation which really suggests any change in principle as to our method of keeping our accounts. I am somewhat surprised and disappointed that that is so. I am not overlooking the fact that there have been certain changes of technique which I think indicate more clearly what is capital and what is revenue. But nevertheless my understanding and information is that when we say that Canada has a surplus or deficit of so much, that is arrived at by pouring into one pot indiscriminately capital and revenue items of income; and the same is true with respect to the outgo. To me that seems to be an extremely unfortunate situation. It may be that the difficulties of making a change are almost overwhelming but it seems to me, to put it mildly, to be extremely unfortunate.

I also want to indicate that the Auditor General has certain questions to raise about that matter. I wish to read briefly from what he said in 1949 and again in 1950. From 1949 I will read first of all paragraph 1 and next paragraph 3 of his report. Paragraph 1:

In 1947 the public accounts committee recommended that the Consolidated Revenue and Audit Act, 1931, be revised to the end that present day operations are suitably regulated. A needed improvement, for example, is that a statement of assets and liabilities incorporate those of corporate bodies as well as those of the government. The present balance sheet may not be regarded as presenting complete disclosure of the situation.

I read further from section 3 in which he gave more details. After referring to certain improvements he said:

Desirable as are the improvements made, they may not be regarded as more than steps towards

[Mr. Macdonnell (Greenwood).]

recasting the balance sheet to the end that it portrays, in summarized form, the year-end financial position. To illustrate, the statement does not take notice of assets and liabilities of the custodian of enemy property; nor does it reflect all cash and securities holdings of corporate instrumentalities. For example, the national harbours board held \$25,600,000 of securities at the year-end and the Canadian Broadcasting Corporation had over \$1,500,000; neither of these totals is included in the schedule of current assets.

I could read further in this section but it is not necessary. That will show the point which the Auditor General makes. I wish to read one short section from his report of 1950. It is paragraph 79:

There is need for statutory definitions of "liabilities" and "assets" for the purpose of (c).

And (c) is as follows:

Such other accounts and matters as are required to show what the liabilities and assets of Canada are at the date of such statement.

To continue:

From the accounting viewpoint, it is inconsistent to ignore, for example, inventories of consumable stores, accounts receivable and moneys held in various corporate and other special accounts, while various non-current loans are treated as assets up to their face value. So far as the liabilities of the government are concerned, the correctness of balances in various liability accounts is not established.

If a statement of that kind were made about the accounts of a private corporation, probably somebody would go to jail for it. But we must not allow ourselves to get excited about that, because we must recognize the different background. Nevertheless, these are important matters brought to our attention by our own special financial guide, philosopher and friend, you might say. I refer to the Auditor General, who represents this house, who is independent of the government and who brings these serious matters to our attention. I hope that these matters will be given by the committee the serious consideration which they deserve.

As I said at the outset, we should not assume that we are going on forever to have surpluses which are easy to come by. We should assume that our affairs need to be managed in the best possible manner at all times. Indeed, we need not look to the future. We can see it this very week. It has often been said—I heard it said in this house yesterday; and when the parliamentary assistant says it, from the point of view that he is making the statement, it is perfectly correct to say it—that our troubles are caused by an excess of money. That statement sounds terribly ironical to all people who do not find that they have any excess of money. Of course the difficulty of it all is that when you have the stream of money growing, it does not fertilize every family