

vided from income of \$48,116,000. In addition there are the capital expenditures of \$16,975,000 and loans and advances non-active of \$3,390,000. The amount, therefore, of the increase in debt for the year is \$119,505,000.

An increase of \$119,000,000 in the debt! And yet hon. gentlemen opposite would have the country believe that the government balanced the budget this year! May I point out that, during the time the Liberal administration was in office, every dollar that was spent on capital account was met out of current revenue, and there was no adding to the public debt because of capital expenditure. Notwithstanding that, the public debt of the country was reduced during that period by from \$200,000,000 to \$300,000,000. But may I emphasize this point: The stress that has been placed upon the necessity of balancing a budget has been based by hon. gentlemen opposite on the example of Britain. We have been told over and over again that Britain was faced with a serious situation, that it was found absolutely necessary to balance the budget, that they balanced the budget in Britain; and, therefore, we must do the same thing here. Did Britain leave out of account in the balancing of the budget the amount spent on unemployment relief? Did she leave out of account the amount spent on the dole? Did she leave out of account the amount spent on road work and the like? I have taken care to look up what the Chancellor of the Exchequer of England said about balancing the budget in relation to these payments for unemployment relief, and I will read to the house the statement which will be found in volume 13, session 1930-31, at page 298. Mr. Phillip Snowden, speaking as Chancellor of the Exchequer, said:

... An unbalanced budget is regarded as one of the symptoms of national financial instability. . . . I would point out to the house that . . . apart from all foreign implications, an unbalanced budget is a very serious thing for this country itself. Apart altogether from outside opinion, it would be necessary for ourselves to put our financial position into one of undoubted security and stability. A deficit itself may not be a very serious matter, because unexpected expenditure might be necessary during the currency of the financial year—expenditure unforeseen when the budget was introduced. It is not a deficit at the end of the year that matters so much, as whether measures are taken or not to meet that deficit. The serious thing is whether the country takes steps to meet that deficit and to balance its budget. If it fails to do so, then naturally grave doubts arise as to the financial stability of the country. . . .

Before I begin to deal in detail with the income and expenditure of the year, there is one thing vitally affecting the budget to which I want to call attention. . . .

I direct the attention of the house to the word "vitally", as used in the connection mentioned.

The government have decided that borrowing for the unemployment fund and the road fund must cease, and this decision must apply to the current financial year. Accordingly, the whole amount of what the road fund would have required to borrow, and the amount which the unemployment insurance fund would have required to borrow when its present powers are exhausted, will have to be borne as a charge on the votes this year, and the estimates to implement that decision will be presented in due course. In taking this step, the government have been actuated by the desire to place the stability of the budget beyond question. The adoption of borrowing as an expedient to bridge a temporary deficiency in a fund when there is a prospect that it can be repaid is perfectly justifiable, but there is clearly a limit to which that borrowing can be carried on, otherwise it would become an unbearable mortgage upon the fund—in this particular case the unemployment insurance fund—and it would be a source of danger to the stability of the budget. We cannot afford any longer to increase the debt. Despite the very heavy burden that this will be in the budget, there is no choice in the matter.

Elsewhere, the Chancellor stated that the current year's charges would amount to £25,000,000 for unemployment borrowing and £9,000,000 for the road fund. That was the way in which Great Britain balanced her budget, and hon. gentlemen opposite, after citing the example of Britain, come along and seek to convey the impression to the country that they followed Britain's example and balanced their budget, whereas in the pretended balancing of the budget they have left out altogether the one thing which the Chancellor of the Exchequer says is vital.

Much the same thing might be said with regard to representations made with respect to the favourable balance of trade, so-called. Whether, in reality, a balance of trade is significant, because it is favourable, depends, of necessity, upon the total volume of trade. If your tariffs have been so arranged as practically to prohibit trade in one direction, and thereby make more difficult any trade in the other direction, to come along and say that, by this arrangement of tariffs, you have been able to get a favourable balance is to make a statement which may be wholly correct, but one which also is wholly misleading. The fact that the balance of trade is favourable under the circumstances I have mentioned ought to be a cause for regret rather than one for praise or commendation.

Moreover, as is well known, periods of great prosperity in this country and in the country to the south have often been years of unfavourable balances so far as trade was con-