

in his speech. I thought I had better make this correction before the statement by the hon. member became too widely circulated. Further proof of what I say is found at page 2911 of *Hansard* for the same date.

Before I deal with some other points raised in the budget debate, I should like to clear up a misunderstanding on the part of the hon. member for Temiscouata (Mr. Pouliot). On June 25, during the debate on the interim supply bill, the hon. gentleman discussed what he thought was a mystery arising out of his interpretation of the public accounts, and out of answers given to questions he had placed on the order paper. I am glad to be able to set his mind at rest and assure him that there is no mystery in the accounting methods followed by the Department of Finance. In his statement the hon. member used figures up to February 28, 1946, in one case, and up to March 31, 1945, in another, because figures for the whole fiscal year were not then available. I shall bring my figures down to March 31, 1946, using the figures for the last fiscal year which appear in the appendix to the budget speech.

The hon. gentleman begins with the point that in his view the revenue and the increase in debt during the war period, the increase in the debt through borrowing on the one hand and on the other hand the non-war and war expenditures during that period, should balance. That appears to be a simple statement, but it overlooks the fact that the dominion has to make disbursements for the purchase or acquisition of active assets, that is to say in loans, advances and investments, and the money required to purchase or acquire such assets must come out of the funds raised by the government through either taxation or borrowing. Let me try to make the matter clear by referring to the figures. During the period September 1, 1939, to March 31, 1946, the revenues totalled \$13,346,500,000. In the same period the increase in the dominion debt was \$15,238,600,000. Adding these two figures together, we arrive at a total of \$28,585,100,000, representing the total receipts of the government during the period. Out of these total receipts, the total expenditures for war and non-war purposes were \$23,245,200,000. This leaves a balance of \$5,339,900,000 to be accounted for. This is the mystery which the hon. member desires to have explained.

The explanation is to be found in the increases in cash and other assets which are found to be in possession of the government to-day, and are recorded in the dominion balance sheet. If the hon. member will turn

up pages 45 and 46 of the appendix to the budget he will find the dominion balance sheet, and on the assets side he will find the amount of cash, loans, advances and other investments held by the dominion as of March 31, 1946.

The first and most liquid item is cash, which amounted to \$796,685,000,000, which is an increase of \$714,200,000 from September 1, 1939.

The second item is advances to the foreign exchange control board of \$1,550,000,000. This advance arises out of the necessity of providing the board with Canadian dollars in order that it may purchase United States dollars from Canadian exporters and others who obtain these dollars in their day-to-day business transactions.

The nature of these advances may be ascertained by examining the balance sheet of the foreign exchange control board as of December 31, 1945, which is in the report of the board tabled in the house on June 5. At December 31, 1945, the government advances to the board totalled \$1,300 million against which the board had foreign exchange, mainly United States dollars and gold, to an amount of \$1,410,200,000.

The third is advances to the Canadian National Railways, which increased by \$666,500,000 during the period in question. These advances relate mainly to the repatriation of Canadian National securities held in Great Britain. The government has replaced the British investor as creditor of the railways. The government receives interest on its advances to the railways at various rates of two to three and one-half per cent.

The loan made to the government of the United Kingdom originally in the amount of \$700 million stood at \$538,600,000 at March 31, 1946, an asset created during the war period. In addition, at March 31, 1946, the amount of \$425 million represented by accumulated liabilities of the United Kingdom under the British commonwealth air training plan was carried as an active asset. Although cancellation of this indebtedness was provided for in the financial agreement with the United Kingdom the relevant article of the agreement and section of the act implementing it have not yet been put into effect, pending action of the United States congress on the Anglo-American financial agreement. If and when approval is given to this agreement the amount of \$425 million will be written off active assets and included in expenditures.

Other advances to the United Kingdom and foreign governments under section 3 of the War Appropriation Act and Export Credits