

TWO SIDES OF THE DEBT SHIELD.

There is an old story of two knights who fought over a dispute as to whether a certain shield was gold or silver. When both were disabled by the contest, they discovered that one side of the shield was gold, the other side being silver. This legend aptly illustrates many political disputes, one of which is the controversy about the national debt. Apart from the use which can be made of a one sided view for raising political capital, there is no reason why those who discuss the debt, in both parties, should not frankly admit that the question has two aspects, neither of which gives a complete view, while each of them should be kept in mind in order to avoid misapprehension. The wisdom, or otherwise, of increasing the debt, or decreasing it, and the purposes for which it is proposed to be increased, and the modes of raising funds for its decrease, or, applying existing ones to that end, are legitimate subjects for discussion between, not only the Government and the Opposition, but amongst members of the Cabinet itself in their private deliberations. But, disputes as to the extent of the debt at any, or various periods, seem to us to be somewhat superfluous, as the records are annually published giving full details of the national obligations, and of the sources from whence any decrease has arisen, or the purposes to which monies derived by additional loans have been applied. In the face of such publicity no Finance Minister is ever likely to bring himself to shame by false statements as to the extent of the debt, or the nature of the changes which have taken place in it.

In his Budget speech, Mr. Fielding stated that the expenditure on Capital Account in 1897-98 was \$5,571,631. To this was added \$930,482 for discount and expenses of a loan, making together \$6,502,113 spent for purposes other than current expenses. Against this was set, \$1,722,712 as the "surplus" of that year, and \$2,350,068 added to Sinking Fund, which is an asset reducing the debt, there was also \$1,631 received for refunds. Those three amounts make a total of \$4,084,311, which, when applied towards meeting the sum of \$6,502,113 spent on Capital Account, reduces it to \$2,417,802, which was the sum added to the debt in 1897-98. In the current year, ending 30th June next, the amount of the expenditure on Capital Account will be \$8,662,795. Against this is to be placed \$2,355,000 added to Sinking Fund, and the surplus of revenue over current expenses of \$4,600,000, making a total of \$6,955,000, which sum will be placed to the credit of the debt account. If then, \$8,662,795 is charged to the debt, and \$6,955,000 is placed to its credit, for 1898-99, the result will be an increase of the debt by the difference between these amounts, which is, \$1,707,795. In the two years, 1897-98, 1898-99, the gross additions to the debt will have been \$15,164,908, but of this, \$4,714,968 was added to the Sinking Fund, which acts like a cross entry; it reduces the net debt by that amount, leaving the sum of \$10,449,940 as the net sum by which the debt was increased by outlays

chargeable to Capital Account. But towards meeting this sum of \$10,449,940, there was transferred from revenue account in 1897-98, the sum of \$1,722,712, and in 1898-99, \$4,600,000, a total of \$6,322,712, by which the increase of the debt in those two years will be reduced to \$4,126,728, which averages \$2,063,364 per year. The excess of revenue in 1897-98 and 1898-99 over ordinary current expenses, will be sufficient to pay the very heavy costs of enlarging the St. Lawrence canals, and improving the navigation of that river, without charging any part of such costs to the national debt. Such a result can hardly fail to give general satisfaction to the country. It is, however, alleged that, so long as any addition was made to the debt, there was really no surplus revenue. The allegation is not well-founded. Suppose a merchant whose ordinary income is \$20,000 a year, of which he spends \$15,000, he has a surplus of \$5,000. But, if in some year he lays out \$10,000 in enlarging his warehouse, towards which he devotes \$5,000 from his ordinary income, and borrows the other \$5,000, is it not a fact that he had his usual surplus income of \$5,000, being the amount by which his income exceeded his current expenses, although, for the purpose of enlarging his premises, he had to borrow \$5,000? It is not the view any business man would take, to say that no surplus can exist so long as expenditures for current expenses and for permanent additions to a property together exceed the profits of the year in which such improvements are made. The following table shows the total Capital expenditure from Confederation to 1874, and the amount contributed towards it from ordinary revenue, the balance being the addition made to the debt. We select this period as the Finance Ministers in those days are held to have been financiers of the greatest authority, and so are respected by both parties, who follow their precedents.

Capital expenditures.	1867 to 1870 2 years. \$	1870 to 1872 2 years. \$	1872 to 1874 2 years. \$
Public Works.....	1,130,883	461,969	2,079,809
Pacific Railway		489,428	872,042
Intercolonial.....	1,787,449	7,905,839	8,244,844
North West	1,841,000	1,015,749	63,238
Totals.....	\$4,759,332	\$9,872,595	\$11,259,933
Debts allowed Provinces		1,662,200	18,786,139
Total Capital Expend.	\$4,759,332	\$11,534,795	\$30,046,072
Increase of Debt.....	2,481,100	3,977,330	26,137,891
Total Capital Expenditure from Income...	\$2,278,232	\$7,557,465	\$ 3,908,181
Total Expenditure Capital account 1867 to 1874.....			\$46,340,199
Total increase of debt from 1867 to 1874.....			32,596,321
Total Capital Expenditure from Income 1867 to 1874..			\$13,743,878

Here then we have an illustration of the practices of these distinguished Finance Ministers who founded the financial system upon which the monetary affairs of Canada have been conducted since Confederation. They raised an annual revenue to meet annual current expenses, and applied what balance there was between these amounts as a surplus towards meeting expenditures on Capital account, and, to that extent avoiding