

the business credit of the country should be maintained. So it was that notwithstanding the war we completed the National Transcontinental railway, finished the Quebec bridge, and spent considerable moneys in continuing the Hudson Bay railway project and the Welland canal.

When the Finance Minister faced this House in February, 1915, it was to announce that he expected the war expenditure of the coming year to amount to \$100,000,000; that his income was largely curtailed; that at the best he could not be expected to do any more than meet current account and capital expenditure; and that the entire war expenditure of that year would have to be made with borrowed money.

Other great wars have occurred in the world's history. Some of the older nations are more or less familiar with war, and a science of war finance seems to have grown up, which is useful to us in showing us what not to do—what we should avoid. In February, 1915, the Finance Minister, I have no doubt, read and pondered long. He was familiar with the history of the United States between 1860 and 1865, during the great American Civil War. He remembered the disasters that had come through war financing along wrong lines, and, profiting from that experience, he laid down and announced the policy which has been maintained and followed ever since, and to which we in large measure are indebted for our ability to stand the strain at the present time. I wish to touch on a few of the principles involved in this policy, to show how in the last four years they have been adhered to, enabling us to meet the emergency. I hope that we may be able to continue so to do.

Notwithstanding what the member for Brome (Mr. McMaster) said this afternoon, I affirm that current expenditure has been stationary ever since the war began. That is to say, if you compare, year by year, the figures of the regular cost of running the Government, you will find that there has been no increase. If you take the total expenditure and deduct therefrom interest, pensions, and what has been necessarily expended on the Grand Trunk and Canadian Northern railway systems, you will find that even to-day we are spending no more in the ordinary administration of Government—notwithstanding the fact that wages have increased and the cost of materials has advanced—than we were spending in the year prior to the war. The first sound principle, then, is that the regular current expenditure of the Government should be

kept down to the lowest limit that can be adopted without sacrifice of efficiency.

The second principle laid down, doubtless based upon the American experience, was that our borrowings, as far as possible, should be long-dated. You will remember how the American Secretary of the Treasury, Mr. Chase, in 1861 borrowed \$250,000,000 at 7½ per cent and had to pay the Treasury notes within three years. He expected that the Civil War would last only six months, but long before that war ended he had to meet that \$250,000,000 and he found it difficult indeed to pay. You will remember how he started, first in comparatively small amounts, to issue legal tender notes without gold support, and once having begun, he had to keep on going the wrong way. You remember how the banks, within a year after the opening of the war, discontinued specie payments, and how it took the United States fifteen years to bring up to par the \$433,000,000 of paper money that had been issued during that time, the value of which during the dark days of the war went down as low as forty cents on the dollar. When you compare the experience of the United States during that period with our own financing, you will agree that we have every reason for congratulation. So our Government laid down the second principle that the money that had to be borrowed should be obtained on long terms. Out of the \$900,000,000 that has been authorized for borrowing since the war began, only \$100,000,000 is payable in the near future. That is the loan to be paid, I understand, in New York this summer, for which ample provision has already been made. The Victory Loan, which to-day represents sixty per cent of our whole war borrowings, is payable as follows: forty-three per cent in five years, that is in 1922; fourteen per cent in ten years, that is in 1927; and forty-three per cent in twenty years, that is in 1937. The other loans are payable in 1925, 1931 and 1937. Therefore, when the war is over—and we hope it will end at no distant date—as the moneys that have been borrowed to enable us to carry it on are distributed in their payments over a term of nearly twenty years, it will be possible for subsequent Ministers of Finance to pick up those loans, one by one as they mature, and consolidate our war indebtedness and, in that way, escape the disaster which our American friends in the Civil War found it so difficult to avoid.

The third principle that has been carried out in our war financing so far has been this, that at least a considerable portion of

[Sir H. Ames.]