

Mr. Smallwood We went into the question of public debt—that question was raised, discussed across the table, as we might in your office, informal and friendly. The answer was, “No”. The reason was that ... the terms given one province must be guided by the terms given to other provinces. The Government of Canada for many years will have to pay into Newfoundland between \$10-15 million more than they can take out of Newfoundland. I hope it will not be too many years; I hope the day will come when things will be so developed, industries so productive, our people so prosperous that we will be paying a lot more taxes to the Government of Canada than we will be paying for some years to come. Put it at \$10 million—the difference between what the Government of Canada will pay into Newfoundland and what they take out—that is \$100,000 every ten years. These subsidies are paid; some in return for the grant of certain taxes, direct taxes, income taxes, corporation taxes and death duties. The government will take so much money in taxes. That government will pay so much into Newfoundland every year. If we take it at the lowest figure—\$10 million—that is \$100,000 a year that the Province of Newfoundland would cost the Government of Canada. That is something.

One other point far more important—the per capita debt of any country, the public debt is important to the people of that country for one outstanding reason, ... and in this I hope Major Cashin will agree ... you have to service that debt, pay interest on it, put a sinking fund forward; and you have to pay it back when it falls due. You pay so much a year for this debt, you pay in your taxes. So what matters in a country, what counts, is not so much the size of the public debt, but the size of your taxation.... That includes public debt, it includes family allowances, it includes public services, it includes the Railway, your taxes that you pay, the total amount you pay.... There is not a special tax collected from people to pay the interest on the debt, it is paid out of the regular revenue that the government collects, and the only real importance of a public debt is how much it adds to your taxation....

Incidentally, in Newfoundland too there are very bitter experiences with public debt. We have in this country a great horror of public debts. I find that in larger countries they don't have that

same dread. In Canada, certainly Mr. Higgins and all our delegation will agree, all the officials and cabinet ministers used to smile at our great concern and our dread of public debt. Maybe they can afford to smile, because nearly all their debt is internal. It is owned in Canada. When they pay interest on it they are paying it to Canadians. It still stays in Canada. I think every year it is around \$400 million that the Government of Canada pays on the public debt, and nearly all of it goes to Canada and is used for the general purposes of providing capital. Maybe that is why they don't fear public debt.

If a country is growing, has good industries and their prospects seem to be very good, then they look upon debts as something natural, not something to be scared of; because if they were to be scared the United States today would be a nation frantic with fear and debt; and the same applies to Great Britain.... However, the question of public debt is so much connected with the question of taxation, because taxation includes public debt, that I hesitate to go into the matter now. I would suggest to Major Cashin that we have got to get down to brass tacks in this debate before it is over, get down to this question of taxation, then we can have it out about our public debt as well.

Mr. Cashin I think I am inclined to agree with my friend Mr. Smallwood for once. To go into the matter of revenues and expenditure and public debt is a very important matter in connection with this debate. It is the only matter really that is worth talking about, and I think that this matter should be put off until some of the questions that appear on the order paper are correctly answered, because I don't want to be guessing any more. Whilst I want to get this thing over, I want to be in a position to discuss the public debt from an economic standpoint as far as the country is concerned. So far I have got the answer that they put it up to the Canadian government who said they were not prepared to give us anything for the difference.

Mr. Smallwood Would you allow me for a moment? We did not exactly put it up to the Government of Canada, we put it up to the financial men, and we got so little encouragement that we did not raise it in the plenary session at all.

Mr. Cashin In other words you got no pity and you gave it up.