

raise the rates, which of course is just increasing the taxation on the people.

As I explained, I did not have time to make a clear study on this, I would like to reserve the right to have a little more to say later on.

Mr. Smallwood I appreciate very much the fair-minded spirit in which Mr. Hickman has made his preliminary analysis of the figures I brought in here yesterday. He has not shown any animus or bad feeling, he has spoken very fairly, and I appreciate that, but, as he has said himself, he has not had time to think about these figures and I am afraid that the remarks he has just delivered are very good proof of that, because otherwise four-fifths of the things he would never have said.

I made notes as he went along. Road maintenance. In this estimate we have \$1.25 million a year for roads. That's only to maintain roads, not to build roads, and if you turn to the estimates of the Commission of Government you will see that that is their estimate for maintaining roads — not building them.

Mr. Hickman speaks about our surplus. In this estimate of mine I have pictured our \$28 million surplus, which may be \$30 million. It is proposed that the offer the Government of Canada has made be accepted, that that surplus be put on deposit, at 2 5/8% interest. Now should that be withdrawn once we would put it on deposit drawing interest every year, or left in there? Well, there are two schools of thought on that. One is, as Mr. Hickman just said, it should be left in there for the rainy day. What rainy day, sir? He says when there may be bread lines and unemployment and destitution in the country. That's one school of thought — leave it for the rainy day. The other school of thought is this, and it is the one I have followed: not to leave it there forever, but to draw it out each year and spend it in such a way as not to have the rainy day. All right, when the laughing is thoroughly over, I will explain what I mean.

Throughout the world, in larger countries than this, countries where the science of government has been carried to a much finer degree of excellence than in Newfoundland, even under Commission of Government, the idea has become well developed of what they call "timing grants" — to spend public money that has been accumulated as surplus (and if you have not got a surplus, to borrow it) on public projects for the purpose of

taking up the slack in private industry. A depression means that private employers can no longer employ men because they cannot make a profit, and many become unemployed. Fishermen don't fish because no one will supply them, and no one will supply them because there is no money to be made out of fish, so you get a depression; and when private capitalists are no longer able to employ the people or keep them fishing, then the government, with public money, takes up the slack. That's a well-developed policy and principle. We are told that many governments have reconstruction projects on the shelf, ready to be put into operation at a minute's notice, just ready to call for contracts, and one way to prevent a depression is by public spending at the time when private spending has come to an end. Instead, therefore, of leaving your \$28 million or \$30 million surplus there on deposit until you have got unemployment right on your hands, draw it out so much per year and spend it for the purpose of taking up the slack that has been created by the failure of private enterprise. That is the school of thought to which I adhere. Whether you draw out three or two or one million dollars a year, is a matter for a future government to decide. I would point out however, that if you don't draw it out at the rate of \$3 million a year, your interest earning for the government will be that much greater each year, and your income from interest would be higher than is shown here, because what is shown in my table is the interest on the balance of the surplus that would remain each year after you had withdrawn \$3 million....

Another point I want to deal with that Mr. Hickman has made, and I dealt with it yesterday. I would expect any businessman anywhere in this Convention or in this country or out of it, to speak exactly as Mr. Hickman has spoken, because very few businessmen in the world appreciate the fundamental difference in public finance and private finance. Very few appreciate the difference between a corporation balance sheet and the balance sheet of a government — all the difference in the world, and until we get that point clear in our minds, we are wasting our time talking about public finance. Sir, a government's accounting is about the simplest thing in principle and outline in the world — it is simply a cash account. No government has a balance sheet, a profit and loss account, it is simply a cash ac-