Mr. Diefenbaker: Quote the statement.

An hon. Member: We heard it.

Mr. Pearson: Does the Prime Minister deny that in that broadcast and on other occasions he has given the impression that discrimination was being exercised by the banks against the small borrower?

Mr. Diefenbaker: I asked for the quotation—

Mr. Pearson: The quotation will be found.

Mr. Diefenbaker: —and not the Pearson interpretation.

Mr. Pearson: It is not difficult to find the quotation. We have plenty of time. If there has been any discrimination against the small borrower, as alleged by the Prime Minister and the Minister of Finance, let them produce evidence to show that discrimination. If they cannot do so, perhaps they would keep quiet at least on that point, especially as they represent the biggest borrower of all.

If the small borrower has suffered more than the large one—something which nearly always happens because the small borrower has not the resources with which to cushion himself against the impact of government policy—the blame is not to be put on the banks but on the government and nobody else. But three years ago, said the Prime Minister—and perhaps he wants me to quote his exact words—it was all different, we had really tight money under the Liberals at that time. I hope I am not misquoting the Prime Minister when I say that he has said that on more than one occasion, namely that there was really tight money under the Liberals, that it was different then.

It was different then, all right, in a good many respects. In the first place at that time —and when we were in power we did put into effect monetary restrictions in a period of boom—interest rates in a period of boom were much lower than they are now. Restrictions were imposed in a period, not of recession but of boom. In the third place, fiscal policy working with monetary policy resulted in very large surpluses, which were essential as anti-inflationary measures and which were bitterly attacked by present ministers. Certainly the situation has been much different in the last two years.

From January 1956 to June 1957, in a time of boom and full employment, the Liberal government of that day, far from making demands on the money supply, redeemed through surpluses over $1 billion worth of its direct and guaranteed securities. But from June, 1957 to October, 1959 this government, at a time of recession, increased them by $1\frac{3}{4}$ billion. As I say, it was different all right in those days.

What about the immediate future? In 1960-61 the government—and the minister will correct me if he thinks my predictions are bound to be wrong—

Mr. Fleming (Eglinton): If I start to correct the hon. member, he will never finish.

Mr. Pearson: In 1960-61 the government will likely have a cash deficit and if our economy were to reach the stage of boom—something which the ministers told us is going to happen—the total demand for funds will further increase; then the credit squeeze under the policies of this government will become unbearable or we will get real inflation. If we have to face a recession by the end of 1961, as many economists, including some government economists, are predicting, and if the government decide to fight that recession in the same way they fought the last one, then we will not be able to avoid a much more serious financial crisis than the one which has developed in recent years.

The governor of the Bank of Canada had something to say in this connection in his speech on November 16 and perhaps I may be permitted to read one paragraph from that speech. He said this:

> In preparation for the next cycle, perhaps it is not too soon for careful examination of how best to take anti-recession action while minimizing inflationary potentialities.

The governor made a speech today on the same subject in Winnipeg and I have just had a chance to read that speech this afternoon. In that speech he has one extremely important paragraph which has an important relationship to this subject and to what I have been saying. Mr. Coyne had this to say today:

> There are not one but several major requirements for the prevention of inflation,—

Mr. Fleming (Eglinton): What page?

Mr. Pearson: It is page 4 of the text I have of Mr. Coyne's speech given in Winnipeg today. I have only one page here with me. It is a press release of his speech. The quotation continues:

> —the maintenance of sound and steady growth and the prevention or mitigation of fluctuations in the level of unemployment. One requirement, certainly, is the maintenance of a sound monetary policy, which means restraint in the process of expanding the stock of money. Another is moderation in spending and borrowing by governments and public bodies. A third is the development and maintenance of appropriate fiscal policies and public policies of various other kinds designed to promote sound expansion in private business but to discourage excessive spending throughout the economy.

Mr. Speaker, our party, the Liberal party, has given careful consideration to this problem over all the months that we have been