

*The Budget—Mr. Flemming*

develop based on the government's record of fiscal mismanagement and miscalculation? It seems to me that a lack of confidence by the United States market or, for that matter, by any market, could have very serious effects on our whole economy.

The financial plight of the government, therefore, is a serious one. It will take courage and determination to put into effect the measures necessary to cope with it in a proper way. But an ancillary financial problem of the government of Canada is the budgetary position of the provinces. The tax structure committee, composed of the finance ministers of all the provinces and the federal minister of finance, met two years ago and concluded that the financial problems of the provinces over the next five years would be substantially greater than those of the federal government. It was considered that the federal government would be in a surplus position and the provinces would be in a deficit position. Now it seems to me that the difficulties are greatly increased when both levels are in a position of deficit. In this connection we need only read the morning paper and the report of the provincial finance ministers meeting to which I referred a moment ago.

In concluding the portion of my remarks relative to the financial plight of the government, let me take a look at what is said by experts and by papers which certainly do not favour the Conservative party and certainly are not enemies of the Liberal party. The *Winnipeg Free Press* calls the budget of the Minister of Finance dismal. The *Financial Times* of October 28, which is not unfriendly to the present administration, says that whether or not one feels the optimism about the next few years that came through in the forecast of Mr. Arthur Smith of the Economic Council, one must also agree with Professor E. P. Neufeld of the University of Toronto that the federal government's accounts are basically out of control.

• (4:20 p.m.)

Professor Neufeld claims that the trade-off point between inflation and unemployment in Canada is much higher than in the United States. He said it would take a 7 per cent unemployment rate to bring the rate of inflation down by 1 per cent. He said that because our governments are in such a tight financial box there is no way they can now cope with the problem. Any assessment of the outlook from now on should be made with this fact in mind.

Professor Neufeld also had some realistic things to say about Canada's external standing. He noted that our rate of increase in prices and wages has been very much faster than that in the United States ever since 1958. Although he does not expect a balance of payments problem next year he said:

I would think that policy-making officials would ask themselves whether Canada can digest another period when its cost and price increases exceed those of the United States.

He then said: "Obviously Canada cannot".

The *Financial Times* of October 28 had this to say on the editorial page:

Last week's budget displayed the Trudeau government in the guise of a bewildered little man, up to his neck in debts, who devotes all his ingenuity to juggling the due dates of payment. The diagnosis of Canada's financial problem was incoherent and sometimes self-contradictory. The prognosis was so partial and incomplete as to be incredible.

This is a pretty serious editorial from a journal friendly to the administration. It then states:

The loss of credibility is a very serious matter, because credibility is inseparable from confidence. Without confidence, Mr. Benson can kiss goodbye to all his broad fronts and high priorities. And confidence in the government of Canada is weaker than it was a week ago.

Now, Mr. Speaker let me say a few words about regional disparity. The Atlantic provinces naturally are the area closest to my heart so far as this matter is concerned. It was my responsibility and great privilege to deal with and endeavour to improve during the years 1952 to 1960 the affairs of the province of New Brunswick. We struggled during the first portion of those years and gradually improved our position. During that time we made frequent trips to Ottawa in an attempt to bring our special situation to the attention of the then federal government. We pointed out our difficulties and our disabilities. We asked for special consideration in view of commitments dating back to confederation. We were always told that there must be uniformity of action and each province must be treated on the same basis. We were unable to accomplish anything of a special nature until after June 10, 1957 when a new federal government assumed office, and then what was impossible for the old became possible for the new. From then on it was different.

**The Acting Speaker (Mr. Béchard):** Order, please. I hesitate to interrupt the hon. member but according to the rules his time has expired.

**Some hon. Members:** Carry on.