the government, with ultimate authority with the government, is the only possible principle in our democratic, parliamentary society. When the Prime Minister and the Minister of Finance reject that principle they are acting in an undemocratic, unconstitutional, and indeed in a hypocritical way. Why do I use the word "hypocritical"? Well, I shall show you.

The Prime Minister, on August 26, in an extraordinary interview with Mr. Charles Lynch, dealt with these complicated matters and had this to say—I have the newspaper here:

> In the fall of 1958, we increased the money supply by 12 per cent—

This is a very interesting statement because it reveals, among other things, the characteristic inaccuracy of the Prime Minister when he deals with figures because it was not 12 per cent, it was closer to 16 per cent. While the Prime Minister was saying that on August 26, the Minister of Finance, only the week before, denying everything he had said in the House of Commons when he was in opposition, had this to say, and I quote now from the August 18 edition of the *Citizen*—this is the Minister of Finance speaking, this is the other voice of government:

> The government has no control whatsoever over the money supply.

Now, on August 26 the Prime Minister said that in the fall of 1958 we increased the money supply by 12 per cent, but on August 18 the Minister of Finance said the government had no control whatsoever over the money supply. Later there was a double reverse on this play and they both altered their position to a point where the minister is closer to realism than he was at that time. It is the bank that has been consistent and correct in its statement on responsibility. However, additional confusion was added to the bank's statement by the Prime Minister when he spoke before the Lethbridge chamber of commerce in August last. He said then that there had been no freezing of the money supply by the government. Mr. Speaker, the money supply was frozen in October, 1958 when it amounted to $13,347 million, and on December 30 of this year it amounted to $13,124 million. In other words, when it is freezing, we did not do it, says the Prime Minister, but when it is melting, we did it.

I suggest that in this serious financial and monetary situation it is time to have an end of this partisan nonsense. Let the Prime Minister, when he speaks tonight, show enough courage and understanding of the position to accept the responsibility of the government in these matters instead of trying unfairly to throw the blame on others for the policies of his own government.

The second alleged reason—that is to say, alleged by the government—for tight money was the demand for funds due to economic expansion. But, Mr. Speaker, we have had in the past—and I may say in the recent past—much greater demand for funds for much greater expansion under Liberal administration without such high interest rates and with less scarcity of funds. Let the Minister of Finance deny that statement if he can.

Mr. Fleming (Eglinton): I will say again that the hon. gentleman does not know what he is talking about.

Mr. Pearson: That is a very shallow comment. I suggest or in fact I state that the increased money supply of 1957-58 could easily have met private demand. It could easily have met private demand as indeed the governor of the Bank of Canada has made quite clear. But where has the greatest demand for this money come from? Who has hogged the money supply? It has come not from the bankers, not from the private borrowers but from the federal government, with $2 billion cash deficits in two years. In the 15 months from March 31, 1958 to June 30, 1959 federal government issues took 58 per cent of all new money provided by the bond market. Let the minister deny that statement. One result of this situation was that it forced the provinces and the municipalities to go to New York and other foreign markets for their money. That situation kept the dollar premium up and the government, we are told, can do nothing about it.

Then there is the third reason, and it is the last reason that they give. I have already alluded to it. It is that tight money is due to the big, bad banks. But with government and the Bank of Canada directly responsible for curtailment of expansion of bank credit and with the government the biggest borrower, the comercial banks have no alternative, of course, but to restrict their lending. "Oh, but," says the Prime Minister, "they were discriminating against the little fellow and we will stop that." However, the governor of the Bank of Canada, who knows the situation, has said that the policy of the chartered banks in this situation is right and inevitable. In making his charge the Prime Minister was merely playing politics, something which merely added to the confusion in the country and lack of confidence. Discrimination has been exercised against the small borrower, he said, and we must stop it.

Mr. Diefenbaker: Just quote that statement.

Mr. Pearson: That was in a broadcast "The Nation's Business".