An hon. Member: Throw him out. He is too young.

Mr. Speaker: I am not able to hear the hon. member for Cariboo (Mr. Henderson) well when he is seated.

Mr. Pearson: I am glad to see that the hon. member for Cariboo is still concerned about this matter, and I am sure he will wish to take part in the debate. I hope he will be given an opportunity, because this is a very important matter.

As to whether this operation was ill-timed, it was, of course, undertaken at a time when the bond market was weak. The minister will surely agree with that.

Mr. Fleming (Eglinton): I will not.

Mr. Pearson: The minister says "I will not". I thought the hon. gentleman might intervene at this time and say that. But this is what he said in 1959—

Mr. Fleming (Eglinton): Would the Leader of the Opposition confirm the fact that he used the word "undertaken"?

Mr. Speaker: Order. The Leader of the Opposition has the floor unless he has yielded it.

Mr. Fleming (Eglinton): He has yielded.

Mr. Pearson: I said that this operation was ill-timed, that it was undertaken at a time when the bond market was weak, and the minister said that was nonsense, or that it was not so, or something like that. Well, as reported on page 2411 of *Hansard* of April 9, 1959 the minister said:

> After some signs of strength in the earlier months of 1958 the New York bond market broke sharply in mid-June, and continued a pronounced downward trend to the end of the year. The Canadian market, with some variation followed this general trend.

I am grateful for that support for the argument I am advancing that this operation was ill-timed. I think, also, it was misconceived in its objective of 100 per cent conversion of the $6.4 billion of victory bonds, and I have already stated that some of those earlier maturing bonds might well have been left out of the conversion. Before the operation began those bonds were all selling under par. The government established an artificial market and offered to buy them at par during the period of the loan. The Bank of Canada supported the prices of the new bonds after the end of the loan which kept them at par. That, of course, resulted in a very substantial windfall accruing to—what shall I call them—some of the better informed bondholders at the expense of the taxpayers amounting to many millions of dollars. The high pressure campaign—we all remember it—was, of course, very successful. Many Canadians acquired long term bonds not really suited to their more or less immediate need for cash, and when they had to sell them they suffered heavy losses. Moreover, to ensure this so-called success—the minister insists that it was a success—unprecedented high rates of interest were given and a new burden was placed on the taxpayers. Oh, there were beneficiaries all right, but they did not include the taxpayer; they did not include a great number of the small investors, and they did not include the government itself.

Here is what Professor Scott Gordon has to say in his recent book about the conversion loan. I do not think anybody would suggest that Professor Scott Gordon is a Liberal or a Liberal sympathizer. Here is what he has to say:

> The real significance of the conversion is that it proved to be the beginning of a series of acts by the monetary authority which has produced extreme instability in the finance market. The conversion loan itself so racked the prices of government bonds about that they had to be regarded as assets with uncertain and unstable market values. The government bond market was changed from one where savers, make long term investments to one where speculators gamble on the next swing of the pendulum.

Now what about the management of the unemployment insurance fund? What about the actions of the investment committee of that fund, for which the government, we claim, must take responsibility?

Mr. Bell (Carleton): Would the hon. gentleman permit a question? Is that the only expert the hon. gentleman proposes to call in relation to the conversion loan?

Mr. Pearson: Professor Scott Gordon is one expert. There will be many of them called before the debate is over. I do not intend to take up all the time of the house in this debate, but we shall satisfy the hon. member for Carleton; and he can bring his experts forward, too. The facts speak for themselves in this matter.

The unemployment insurance fund is another victim of the conversion loan and of mismanagement by the government. That surely has been documented already beyond argument. At the time of the loan this fund stood at $640 million in government securities, $300 million in victory bonds, plus $340 million in other long term government bonds and C.N.R. securities. The position, therefore, was highly illiquid at a time when new and serious demands were bound to be made on it, as anyone who knew anything about the economic picture and the unemployment picture would have known. The fund could have corrected its position during the period of the loan. It could have sold its bonds at par, bought