

*The Budget—Mr. R. A. Bell*

Let the Leader of the Opposition when he speaks in this debate tell this house which of these services he would reject or discard. That is not what he will advocate; he will say he seeks to further expand them with predictable results in deficit financing.

Second, sir, the deficit is the result of flexible budgeting designed to meet existing economic circumstances. In times of economic slowdown the federal government, by incurring a sizeable deficit, can help to stimulate the economy. I had thought that hon. gentlemen opposite gave at least lip service to this theory. However, one would not know it this morning by listening to the hon. gentleman from Kenora-Rainy River.

One of his party's brain trusts has stated it very explicitly. I refer to a speech made by Mr. Tom Kent, former editor of that great organ of outdated Liberalism, the *Winnipeg Free Press*, as reported in the *Globe and Mail* of April 22, 1961. What did Mr. Kent say? I quote:

—if our economy isn't growing properly, budget deficits are sound economics.

Contrast that statement from the Liberal braintrust with what the hon. gentleman from Kenora-Rainy River said today. Then Mr. Kent went on to say this:

They are a necessary stimulus. We should not be afraid of extra public debt. In a free economy, you can't have economic growth without extra debt.

Now, sir, for myself I would adopt the first sentence without qualification, although I might put some qualifications upon the second. Mr. Kent went on:

That's the simple fact which is always ignored by the illogical people—

I do not know whether or not he was referring to my hon. friend from Kenora-Rainy River when he said, "by illogical people".

—who claim to be the champions of our free enterprise system, who talk about the virtues of saving and yet who are so terribly nervous about debt.

In my view, what is important is not the deficit or its size. What is important is whether the policies of the budget will lead to a balanced budget and ultimately to a policy of orderly debt retirement when we re-enter the period of high employment of our labour and resources and a renewed period of progressive and rapid growth. This is what I believe the budget gives expectation and confidence of achieving.

There are two further factors, sir. If you relate the amount of the deficit for the last fiscal year or the amount of the prospective deficit to our revenues or our expenditures, you will see that there have been many times in our history under both Liberal and Conservative governments when the then deficit

represented a much higher percentage. On previous occasions in this chamber I have put on the record the statistics of the Fielding and Dunning budgets. I shall not repeat them, but I would refer hon. gentlemen to *Hansard* of this year at page 1079.

The second factor is that of our ability to pay our net debt. In certain by-election campaigns last month, by-election campaigns which certainly did not proceed to the satisfaction of hon. gentlemen opposite, obviously an advertisement regarding the increase in our debt must have boomeranged upon hon. gentlemen on the other side. Their excessive cleverness did not take into account the sober common sense of our people who realize that our ability to pay has risen very markedly. Our net per capita debt, sir, and that surely is the only realistic test, as of March 31 was about \$150 below that of 1950 and about in balance with that of 1956.

As I have already pointed out, this has occurred during a period of unprecedented expansion of the public services provided to the people of this country. This is the record of this government. Let hon. gentlemen opposite try to deny it. Even my genial and very good friend from Welland who dilates so often on this subject, should now give credit for the high quality of debt management which has existed under this government.

Perhaps less attention than is warranted has been directed to the significant debt management proposals in this budget. The establishment of a purchase fund initially of \$100 million will have an immediate and salutary effect upon our financial market, and an ultimate significant approach to orderly debt retirement. The removal of the overhang of medium and long term bonds in the unemployment insurance portfolio will end that threat to the stability of the long term market. The decision to confine new federal issues, for the next several months at least, to the short end of the market will be of direct and immediate benefit to the provinces, to the municipalities and to the corporate borrowers.

Taken together, sir, these decisions must assert a vigorous pressure upon the level of interest rates and upon the exchange rate. This was their basic purpose. It has now become popular for hon. gentlemen opposite to attribute many of the ills of our economy to the conversion loan. I have no doubt that when he arises, my hon. friend for Welland will again devote most of this speech to a distortion of this subject.

Sir, I want to repudiate those allegations completely. When the economic history of the last decade is recorded, I believe it will be established that the gigantic conversion