Here are the explanations. First, the Bank of Canada is restricting the money supply and the government has no responsbility for that. The second reason is that the increased private demand for funds was responsible and that is due to increased economic activity. A third reason, as the Prime Minister said himself in that interesting television performance of his, last November, I think it was, is that is was due to the arbitrary credit practices of the big bad banks who favoured the big bad borrowers at the expense of the good little man.

Let me give the facts about the situation in regard to money supply and who is responsible for that situation. The supply, as the minister will admit, has been stable since October, 1958. The governor of the Bank of Canada said in his last report, explaining this and throwing some light on what is happening now:

> A sufficient degree of expansion of the money supply had taken place to make possible the financing not only of full recovery from the recession but of a considerable degree of renewed economic growth thereafter.

This is the opinion of the governor of the Bank of Canada. Why, then, was there this rapid monetary expansion in 1958 which, according to the governor of the Bank of Canada, was sufficient to finance a considerable degree of renewed economic growth after 1958? Well, the reason is a simple one. It is because of the government's huge deficit and the government's decision, no doubt because of this deficit, to expand the money supply so that their conversion loan in that summer would not be a complete flop.

Mr. Fleming (Eglinton): You do not know what you are talking about. This is pitiful distortion.

Mr. Pearson: I am glad the minister is returning to form. The result of this policy, I think the minister agrees, is that from September, 1957 to October, 1958 this period of expansion, the increase in the public debt was $1,253 million and the increase in money supply during that time was $1,747 million. It became quite clear, even to the government, that could not go on without a major crisis, so the expansion of the money supply was stopped in October, 1958. Is that not a correct statement of the position?

Why, Mr. Speaker, even if this stabilization of the money supply were the only cause of tight money, which it was not, it was the responsibility of this government which has been trying to run away from its responsibility ever since and put the blame on others. The evidence of that responsibility, Mr. Speaker, is clear and most of it comes from the other side when the ministers were in opposition. I know it is embarrassing, and perhaps it does not always have the same constructive results it should have in their minds, but I am going to quote from some of their statements when they were over on this side of the house. The Minister of Finance in 1954 before the standing committee on banking and finance insisted, and I can see with what vehemence, vigour and determination he insisted, that no monetary policy measures be initiated by the Bank of Canada apart from those concerted with the government.

Mr. Fleming (Eglinton): Page?

Mr. Pearson: I believe it was page 23 of the proceedings, but I am not positive and I do not want to make even a minor inaccuracy in my statement, so I shall have to look it up.

Mr. Pallett: They are all major ones.

Mr. Pearson: The governor of the Bank of Canada agrees with the Minister of Finance and his words will be found on page 25 of these proceedings. The governor, Mr. Graham Towers, said:

> There is no alibi possible for the government.

Later, in answer to another question from Mr. Fleming, as he then was and as he still is—this is on page 27—the governor of the Bank of Canada said:

> They (the government) must be parties to everything the central bank does unless they signify to the contrary.

I can just see the Minister of Finance rising in his place and saying, a Daniel come to judgment. We are using the judgment against him now because the governor of the Bank of Canada was right then and he is right now. At that time the government of the day did not try to duck responsibility for this matter as the government is trying to duck responsibility now.

Mr. Fleming (Eglinton): They were so befuddled they did not know what they were doing.

Mr. Pearson: I shall give the minister an example of the befuddlement of the minister of finance of that day. I am quoting from page 511 of the proceedings of the standing committee on banking and finance. The minister of finance at that time, Mr. Abbott, said this:

> The issue of money in the final analysis is the responsibility of the government of the day.
>
> If the management of the central bank is unable to concur in government policy, then the management should resign.

That was a true and courageous statement of the situation at that time. I wish we could hear that kind of statement from over there. Joint responsibility between the bank and