

*Government Monetary Policy*

an influence on the rate on treasury bills. The minister knows all about it. He knows all about the cabinet meeting which was held and the auction being postponed an hour or two so the government could make up its mind what to do.

**Mr. Fleming (Eglinton):** Is the Leader of the Opposition saying that was done to influence monetary policy?

**Mr. Martin (Essex East):** It certainly was.

**Mr. Fleming (Eglinton):** Such nonsense.

**Mr. Pearson:** I say that was an intervention by the government in the operations of the bank in the field of monetary policy for which the minister said the government had no responsibility.

**Mr. Fleming (Eglinton):** It had nothing to do with the bank operations.

**Mr. Pearson:** The minister can answer that point later. The government is quite prepared to accept full responsibility for the level of interest rates on housing loans. That is something with which one of my colleagues will deal in more detail later in the debate.

So much for the question of responsibility. Now I wish to deal with mistakes that have been made in policy which have had a direct and harmful effect on the economy, on confidence, on national development, on the recovery from the recession and hence on employment. The first evidence of such mistakes is to be found in the field of debt management. Of course we dealt with this previously in the house. More particularly there is the mistake found in regard to the conversion loan. The conversion loan was a bad mistake.

**Mr. Fleming (Eglinton):** Nonsense.

**Mr. Pearson:** That is the general view held in the country by experts.

**Mr. Fleming (Eglinton):** It is not held by any expert. What experts?

**Mr. Pearson:** We could cite dozens of experts.

**Mr. Bell (Carleton):** Name one.

**Mr. Pearson:** I will indeed, and I will quote some.

**Mr. Fleming (Eglinton):** Not experts.

**Mr. Pearson:** That operation weakened confidence in the bond market and got us into monetary trouble. It was unnecessary, it was ill-timed and it was misconceived.

**Mr. Martin (Essex East):** And costly.

**Mr. Pearson:** And it certainly was costly. Certainly the seventh, eighth and ninth victory loans, and perhaps the sixth also, should

have been excluded from it. That would have saved the taxpayers hundreds of millions of dollars and would have prevented an acute indigestion in the bond market at the time.

**Mr. Fleming (Eglinton):** Do you realize what you are saying?

**Mr. Pearson:** I realize what I am saying. Mr. Speaker, this sort of juvenile intervention by the Minister of Finance does not amount to anything in the way of argument.

**Mr. Fleming (Eglinton):** You are making irresponsible statements.

**Mr. Pearson:** If we say something on this side of the house with which the minister does not agree, he keeps on throwing out these interventions of "rot", "rubbish" and "nonsense". I would ask the minister to stop using these juvenile tactics and get on his feet afterwards and explain where we are wrong on this and where the government is right.

**Mr. Fleming (Eglinton):** On a point of order—

**Mr. Speaker:** Order. Is the hon. member rising on a point of order?

**Mr. Fleming (Eglinton):** Yes. I did not use at all the words attributed to me by the Leader of the Opposition. I simply said the statements were irresponsible.

**Mr. Speaker:** I understood the Leader of the Opposition to be complaining about the interruptions he was receiving. Perhaps the minister, if he has an interruption to make, would rise, as he has now done, on a point of order.

**Some hon. Members:** Hear, hear.

**Mr. Pearson:** I was just appealing—

**Mr. Macdonnell:** Would the Leader of the Opposition permit a question? I do not think the hon. gentleman wishes to be unfair. I want to ask him if he wishes to leave the impression that all people of expertise in the financial field were critical of the conversion loan. Does the hon. gentleman not know that many high ranking people still believe this operation was fully justified?

**Mr. Pearson:** I did not state that all the experts were against it. I said there were many experts throughout the country who though it was ill-timed, ill-conceived and costly as an exercise in debt management.

**An hon. Member:** Liberal experts.

**Mr. Pearson:** Certainly not Liberal experts; people who are normally very friendly to the Conservative party. This kind of effort two years afterwards to evade responsibility for an operation which went sour is not going to help.