

The Budget—Mr. Pearson

Mr. Pearson: The minister told us in his budget speech and again this afternoon that decision of his government about expenditures, about the deficit and about taxes result from the systematic application of a sound and considered fiscal policy. I say that the evidence shows that that is nonsense, and that these decisions embodied in this budget result from fiscal necessities, brought about by electoral irresponsibilities.

The minister attempted to rationalize all of this in his budget speech. I quite admit he did try to make a kind of academic argument for the change which apparently someone brought about in his way of economic thinking. He tried to rationalize his thinking in a very odd intellectual exercise, considering his past views and past assertions. The minister has now become a follower of the man who used to be laughed at so often in this house by the minister and those who sit on that side of the house. I remember that the hon. member for Greenwood (Mr. Macdonnell) as he then was, who is now Minister without Portfolio, used to laugh along with my friend the Minister of Finance. The minister has now become a follower of John Maynard Keynes and he now talks about flexibility.

Mr. Fleming (Eglinton): Are you referring to me?

Mr. Pearson: Yes, I am talking about the Minister of Finance, flexibility Fleming. While the minister talked a great deal in his budget speech about flexibility, he used to laugh at us when we talked about it. But in the course of his budget speech as reported at page 2415 of *Hansard* the minister also said:

Government expenditures are in large measure analogous to the overhead expenses of private business; they cannot be greatly changed on short notice.

That seems to represent a temporary reversion to his earlier thinking.

Mr. Fleming (Eglinton): No, that is an answer to your nonsense about having two budgets in one year.

Mr. Pearson: There was not much flexibility displayed in that particular observation. Again, at page 2415 of his budget speech, the minister made a statement that was remarkable for one with his rigid economic background, as opposed to his present flexibility, and remarkable in the light of what he used to say. This is what he said the other evening. It seems to me I have heard these words spoken by some of the Liberal predecessors of the minister in the office of the minister

[Mr. Fleming (Eglinton).]

of finance. I do not know what the explanation would be; perhaps the same man wrote this paragraph.

Mr. Fleming (Eglinton): It was not Professor Lamontagne, anyway.

Mr. Habel: Do not worry so much about that gentleman.

Mr. Pearson: The minister said:

There are times when a substantial deficit is clearly the right policy;—

We have had three of those. I continue:

—there are times when some provision should be made for the orderly retirement of debt;—

Those times have gone. They went out with the Liberal administration.

Mr. Fleming (Eglinton): That is not part of the speech as recorded.

Mr. Pearson: The minister then went on to say:

—and within these ranges there is always the question of degree. The problem of timing the adjustments in budgetary policy is not an easy one, and yet good timing is often of crucial importance.

I wonder what kind of timing the minister could have had in mind when he used that expression, economic timing or political timing? Perhaps by the time electoral timing becomes important the minister may have been elevated to a great, new sphere of international activity—which may have been in the minister's mind in this connection—where, I cannot forbear to add, I hope he will not employ the violent, vigorous, histrionic, verbal tactics he sometimes displays in this house and which, if he used them in that capacity, could convert a cold war into a less cold war.

In any event, Mr. Speaker, in 1959, a new disciple of Keynes is born, a convert who was once one of the most violent of unbelievers. But how can we possibly have faith in the minister until he publicly recants his former views? The Minister of Finance is now on record as being in favour of anti-cyclical budgets. He has caught what he used to call a disease. Paul Samuelson described the impact of "The General Theory of Employment, Interest and Money", published by Keynes in 1936, as follows:

The general theory caught most economists under the age of 35 with the unexpected virulence of a disease first attacking and decimating an isolated tribe of south sea islanders. Economists beyond 50 turned out to be quite immune to the ailment. With time, most economists in between began to run the fever, often without knowing or admitting their condition.

The minister, Mr. Speaker, belongs to the last group.