

The Address—Mr. Pearson

him—or the other way round, I am not sure which—that the situation has arisen because of a conscious, planned policy of expenditures at the end of 1957 to halt the recession. The only word I can find to characterize that argument is one which is so dear to the heart of the Minister of Finance, “rubbish”. It is obviously a rather stupid argument because at the end of 1957 the government was insisting at that time, before the election of 1958, that there was no recession at all, so how could they have had any planned and conscious policy to stop a recession which they would not admit existed?

We know what the real reasons are for this period of tight money through which we are passing, if we are passing. The first reason is election promises to increase expenditures without increasing taxes, promises even to cut taxes and increase expenditures, with the result that we have had huge deficits and great loss of confidence.

Mr. Churchill: Loss of confidence in the Liberal party.

Mr. Pearson: The second reason is that wrong methods were adopted to fight the recession when it was finally recognized and as a result while not out of that recession we are still in the tightest money period in our history. I wish the minister would read an article to which I am about to refer if he has not already done so. He has been so busy these days and doing so much travelling that perhaps he has not had a chance to read it although there is no better place to read than on a trans-Atlantic airplane, especially a government one.

Mr. Starr: You used them all the time.

Mr. Fleming (Eglinton): Nobody would know better than you.

Mr. Pearson: I have travelled on them but not as often by T.C.A. when I was in the government and never, like the Minister of Transport, have I gone to what was called an official function with two government airplanes. Anyway, perhaps the minister has read this article by a man who certainly cannot be accused of any political affiliation or political or party prejudice. I refer to the article by Professor Neufeld in the *Canadian Banker* last autumn, and he is a real authority on the subject. Professor Neufeld said, and I am going to quote from page 663, if the Prime Minister is looking it up—I want to do what I can to help him in his reply:

The move toward large government deficits in late 1957 was soon interpreted by the market as a move toward higher interest rates. Indeed, interest rates began to rise in mid-1958 well before the Bank of Canada imposed its brake on the money supply.

[Mr. Pearson.]

The result, I repeat, was the highest interest rates, the tightest money in our history and recession. With this approach to monetary policy, Mr. Speaker, what can be expected in terms of interest rates and tight money when the economy reaches a period of full recovery and perhaps boom? This monetary crisis, because it certainly was that as the minister will admit—

Mr. Fleming (Eglinton): Admit what?

Mr. Pearson: —through which we have gone, as the minister undoubtedly will admit—

Mr. Fleming (Eglinton): Speak for yourself.

Mr. Pearson: —was worse confounded by purely partisan and misleading exhortations by the Prime Minister with his purely political explanation of cause, effect and punishment and his rather blustering threats to punish the evildoers, who were the big, bad bankers, of course, and, if necessary, even to change the Bank Act. At that time there was no trace, no sign of the leadership which might have helped to restore confidence. As Professor Neufeld said then, and I quote again from the article:

Unhappily heavy political overtones still pervade official pronouncements on economic policy.

This government, boasts the Prime Minister about his government, unlike its wicked predecessors has no tight money policy.

Mr. Diefenbaker: Is that a quotation? The statement was never made at any time.

Some hon. Members: Oh, oh.

Mr. Diefenbaker: Mr. Speaker, I do not know whether that is conscience speaking. I never referred to wicked predecessors.

Mr. Pearson: I would refer the Prime Minister to his speech in Lethbridge and to sundry other speeches in which he talked about the tight money policy of the previous government and said that the present government had no such tight money policy. As I have characterized it before, it is tight money without any policy, which is worse. If there was tight money and if there is still tight money today, which members of the government admit—the Minister of Finance admits it—

Mr. Fleming (Eglinton): Admits what?

Mr. Pearson: —the explanation of the Prime Minister and his colleagues as to why we are having tight money is to say the least misleading. Why, the Minister of Finance, who studied economics at university, should know that a first year student in the pass course would have more sense than to make these explanations for the tight money policy of the government at this time.