

*The Address—Mr. Diefenbaker*

when the hon. gentleman neared the end of his speech, but in lachrymose and funereal tones, spoke about paradise regained. As I listened to his speech I thought of what concerned him most was the paradise lost.

A year ago I had the pleasant duty of congratulating the Leader of the Opposition on his first speech following his election as the leader of the Liberal party. However, I cannot congratulate him to the same warm extent on the speech he made on this occasion. The amendment this year was apparently not drawn up by the brain trust. It is an interesting amendment; it deals with one matter in particular, after a kind of buckshot attack in every direction. I am going to meet it in a very few words at this point.

Last year there was discussion of an economic report. I produced the economic report, as we produced the report for 1957, at exactly the same time and on almost the same date in the year following. What did they do? They had the report but they did not act; they concealed the situation from the Canadian people. Over and over again they tried to disavow themselves of having done that, though without too much success. The record spoke. We found ourselves approaching a recession. The government had been warned, yet the remedies which the hon. gentleman suggests by inference today were entirely omitted in 1957.

**Mr. McIlraith:** Because the Tory government was not competent.

**Mr. Diefenbaker:** I want to say to the hon. member that this is the third or fourth time he has made interjections. I spoke once of the cuckoo repeating himself and not being listened to.

In the year just ended, Canadians worked more, earned more, spent more and saved more than in any comparable year in the history of this country. The economic report of 1957 contained a clear and cogent warning of the recession to come. The opposition does not like to hear this, but they acted contrary to what the economists said was the proper action to take having regard to the circumstances. They ignored the recommendations; they seemed to be paralysed by deep-rooted complacency; they budgeted for a surplus at the time when the leading business indicators such as residential construction were plunging down. What is worse, they made no plans to meet the recession of which they had been warned.

What of the economic report of 1958? That report predicted a continuing recession. We took that warning to heart. We planned the budget accordingly, accepting a deficit as the answer to unemployment. It is because

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we acted in that way that the 1958 forecast and report proved to be more pessimistic than the actual events warranted. That it will be significantly better than the report forecast was not due to faulty forecasting but to energetic action taken by this government. I should like to go into a little more detail in this connection. I can see the dilemma in which the hon. gentleman finds himself. When he was asked the question: is it unemployment or is it inflation which is the serious problem today, he answered by a multitude of words but refused to place himself firmly on one side or the other. When he came to draw up the amendment he made sure that he was not in any way taking one side or the other. A terrific problem was facing the government, as the hon. gentleman so frankly admitted in that article in the *London Times*—not necessarily one of whether to formulate economic policies to fight unemployment or inflation but rather to develop a set of policies adapted to changing economic circumstances that appear to be in the offing.

The Leader of the Opposition charges the government with complacency and wastefulness. He dealt with the fear of unemployment, and then he spoke of inflation, which is a Janus-faced approach. On the one hand he said: eliminate unemployment, and on the other side he said: do not have a deficit, no matter what the cost may be, in order to alleviate the situation. During last year's election, where was he then? He advocated a deficit over and over again. He said this was the proper type of financing to meet a recession, and at the same time he advocated multitudinous dollar expenditures, tax cutting amounting to several hundred million dollars, tax holidays. Oh yes, we admit there is a problem, and one that has not arisen before, where there is unemployment while price levels generally are rising. The immediate problem was one of recession, which we inherited. We acted with regard to this matter with energy and vigour and all objective analysts agree that we achieved success.

What did we do? We budgeted for a deficit and at the same time we increased welfare payments. Did hon. members ever hear anything to equal the lachrymose concern which the leader of the Liberal party showed today over the increase of \$9 in old age pensions? But they would not do anything about it when they had an opportunity. He said that the old age pensioners \$9 had been reduced by \$2 as the result of inflation. Taking his own figure of 4 per cent, where does the \$2 come in? It is just another example of the kind of exaggeration in which the Leader of the Opposition indulged today. We reduced taxation; we provided effective support for