

Supply—Finance

Then, it seems to me somewhat illogically, he argued that if they do exist they are not really the fault of the government because they are not matters of government policy; that the government turns the responsibility in these matters over to the banks.

On this subject, may I bring to the minister's attention—and these will be my concluding observations—an extremely interesting article which perhaps he has already seen and which appeared in a United States magazine entitled *Business Week* of June 20, 1959. I should like to quote just a couple of paragraphs from that article. The first is as follows:

—interest rates in both Canada and the U.S. are high and trending higher. In both cases it is a reflection of tightening money and anticipation of even tighter money in the future.

Both countries face the same problem. But the "tight money" issue is closer to coming to a head in Canada than it is in the U.S.

Then it goes on to state:

In Canada, where no ceiling prevails,—

That is on interest rates or government bond interest rates.

—few experts think that the government could sell a long-term issue even if the rate was above the market. So the problem facing Prime Minister John Diefenbaker's government is already acute.

Then these two paragraphs:

This week, on Toronto's Bay street—which vies with Montreal's St. James street for the role of Canada's Wall street—financial men were freely predicting that short-term rates would break through 6 per cent. Some pessimists think that rates are sure to break through the height barrier reached in 1920, when Canadian bonds were yielding over 6½ per cent.

The big question is whether high interest rates and scarcity of credit will impede Canada's remarkable growth rate which, up until 1957, outpaced the U.S. But the 1957-58 recession hit harder and lasted longer in Canada and now, despite the fact that unemployment is over 5 per cent, money is not only expensive but increasingly scarce.

Those are one or two aspects of the financial picture—and they are only a few and I have touched on them very briefly—which even in the circumstances of the closing of the session I venture to bring to the attention of the minister in the hope that perhaps he may give us a word of assurance in connection with them.

Mr. Chevrier: I am delighted that the Minister of Finance indicated earlier that he is in no mood to make a long speech on the consideration of his estimates on what we hope is the final day of the session. In what I have to say I shall attempt to be as non-provocative as possible. I can assure the minister and my delightful friend the Minister without Portfolio, the hon. member for Greenwood, who used to speak from this side of the house with such kindness but

also with such effectiveness that I will not attempt at this late hour of the session to interject a note which will at least bring about a heated reply from my hon. friend across the way. However, I feel that there are certain matters—one in particular—which I should like to discuss and I shall do so briefly. It has to do with university grants, a matter with which I am sure the minister is not totally unacquainted.

Mr. Fleming (Eglinton): Would my friend be willing to reserve his remarks until we reach that particular item? In this way I suggest that we would avoid a discursive debate. We have in the estimates an item dealing specifically with that matter.

Mr. Chevrier: I know there is a specific item which I have read very carefully. I hesitate to refuse to accept the ministers' suggestion but I feel that these remarks, which may perhaps go beyond the scope of the specific item, would be better discussed on this item.

The question of federal grants to universities, as the minister knows, was raised again during the last electoral campaign and the great majority of the Conservative candidates in Quebec stated that those grants were unconstitutional. They went a step further and said that if they were elected such a violation of the constitution would cease.

I should like to analyse for a moment what has happened since then in this respect. The Conservative government, wisely I believe, has not only continued federal assistance to universities but it has increased them and it is still using the formula proposed by Mr. St. Laurent in 1956. Moreover, the Minister of Finance has at no time indicated his intention to change that formula or to abandon that program. He merely stated in the house last year that if the premier of the province of Quebec, Mr. Duplessis, had any suggestions to make or any proposals to make, he was ready and willing to hear them, to consider them and to study them. Mr. Duplessis has never made any precise proposals in the past and nothing happened in this respect during the last year.

As the house knows, federal grants were not discussed at the federal provincial meeting of November, 1957 and, according to the Minister of Finance's own admission recently, that matter was not even mentioned at the last meeting of finance ministers held in Ottawa in July. As far as the government is concerned, therefore, this important matter is considered as being settled. The Minister of Finance is not prepared to take the initiative and try to find an alternative formula—and I cannot direct any blame at him for

[Mr. Pearson.]