

The Address—Mr. Pearson

“significant”. That manipulation would mean that the government would buy U.S. dollars and increase its reserves in order to depreciate the Canadian dollar.

But this new policy of manipulation, announced by the minister at that time, was applied only once. Before and after October, 1961, our holdings of U.S. dollars declined each month and that meant of course, contrary to what the minister had said, that the government was not buying but selling U.S. dollars in order to support the value of the Canadian dollar. It was the exact opposite of what the minister of finance had said a short time before that he was going to do. It was another flip-flop. That new policy and the minister's refusal to say what he meant by a “significant discount” were bound to cause uncertainty and a further loss of confidence on the financial market.

Then there was the huge budgetary deficit announced by the minister at that time, which was another contributing factor. It meant that all the main elements of a dollar crisis were now at work, and the government was responsible for all of them.

The minister does not have to make notes. He is Minister of Justice now.

Mr. Churchill: You are afraid of his reply.

Mr. Fleming (Eglinton): I am not taking dictation from you.

Mr. Pearson: After October, 1961, the exchange fund was used systematically to support the Canadian dollar and to prevent further devaluation. Therefore between the end of October, 1961 and the end of April, 1962, our holdings of gold and U.S. dollars declined by \$516 million, or nearly 25 per cent. Were my speeches responsible for that?

It was quite evident to everyone who wanted to see, who wanted to find out, that our reserves were being rapidly depleted, as we pointed out in the house, and that they were near a dangerously low level, as we also pointed out in the house. Yet, in spite of these substantial injections the value of the Canadian dollar continued to decline between October, 1951 until May, 1962, until we came to the devaluation announcement during the middle of the election campaign on May 2, 1962.

Devaluation had at that time become inevitable. But even that dramatic decision did not stop the run on the dollar. Between the end of April and the end of May our exchange fund lost a further \$102 million, and on June 24, when the Prime Minister announced the austerity program, our reserves, as I have said already, stood at \$1.1 billion, which meant another loss of nearly \$300 million between the end of May and June 24, a period of about three weeks.

[Mr. Pearson.]

From all this, Mr. Speaker, two conclusions are inescapable. Our currency difficulties had reached the proportion of a crisis long before the Prime Minister's announcement of June 24. The main reasons for the crisis were the government's financial mismanagement, the government's policies regarding foreign capital, and especially the government's mishandling of the Coyne affair.

Mr. Diefenbaker: Mr. Speaker, would the Leader of the Opposition allow a question?

Mr. Pearson: Yes, of course.

Mr. Diefenbaker: What was the reason for the same situation in 1947?

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): That was a different picture altogether.

Mr. Pearson: Mr. Speaker, the situation in 1961 and 1962 could not have been more different from the situation in 1947, and I will be very glad indeed to go into that. If the Prime Minister, with his vast knowledge of financial and monetary matters—

Some hon. Members: Oh, oh.

Mr. Pearson: If the Prime Minister tries to tell me that there is any parallel between the situation in 1947 in this field, and that in 1961 and 1962, he really does not know very much about either matter. If he will read the debates of 1947, the speeches made on this side of the house when he was in opposition, he will receive a good lesson in finance from some of his own supporters who did understand the position at that time. Also, Mr. Speaker, when the minister of finance at that time put forward the financial difficulties of the government arising out of the post-war situation, when we had loaned \$2 billion to Great Britain and hundreds of millions of dollars to other devastated countries in Europe so that they could buy our goods on credit, the minister of finance rose in the house and told all the facts, and told parliament what he was going to do.

Some hon. Members: Hear, hear.

Mr. Pearson: Not only were the facts different, not only was the remedy adopted to deal with the facts different, but there was no concealment or deceit on that occasion. So the government on this occasion must accept full responsibility—

Mr. Fleming (Eglinton): Nineteen forty seven budget by radio.

Mr. Pearson: —not only for the crisis but for the concealment of that crisis from the Canadian people even during an election campaign.