

The Budget—Mr. Benidickson

initiative in connection with our foreign exchange situation. There is one short sentence in the budget which I paraphrase as saying "This, of course, is not in current budget expense". However, when you think of the billion dollar cash deficit, and when you think in terms of what some experts, including the minister, have said as to the financial obligations involved in interfering with the market situation in this field, I think one must come to the conclusion that this was an undesirable minimizing of the problem in the speech of great length which the minister made the other night. I think it was altogether too inadequate a reference to something which could involve a great amount of dollars and, of course, in all its aspects could mean big involvement in the money market of this country.

I refer the minister to the latest issue of the *Financial Post*. This is a national financial paper which came into our hands only this morning. The assistant general manager of the Royal bank, on page 35 in looking at the prospects and the situation with respect to the foreign exchange control situation, estimated that every point of control related to the Canadian dollar vis-à-vis the United States dollar could conceivably require backing by the crown of \$200 million. This gentleman is much better informed in this field than I am. He happens to be a vice president whose department is economics.

I heard reference to this question last night on the national television program when the minister appeared on "Press Conference". I observed that he did not give his interrogators very much room, as usual, but I think Mr. Barkway said he thought the liability would be just about half the figure mentioned by the assistant general manager of the Royal bank. He said that perhaps \$100 million would be the figure rather than the \$200 million which I have quoted. The minister on television did not answer; his rapid tongue just kept going.

An hon. Member: Wagging on.

Mr. Benidickson: Wagging on; and the question was ignored.

During this budget debate we shall have opportunities which were not available in the half hour allotted to "Press Conference" to get answers to some of these questions of tremendous significance. As I say, I received the *Financial Post* this morning. I put this to the minister. These questions are of such significance that the minister cannot possibly refrain from commenting upon the financial liabilities in connection with them.

In fact he did so in parliament as recently as February of this year. I realize I am not

entitled to quote him in the same session. In February he gave us five reasons why this was something that we should not look at. Last year in his budget speech on March 31 he explained about the financial obligations involved. He warned against interfering with normal supply and demand. He did the same in January 1960 in the annual budget speech which he makes to the people of Toronto, at meetings of the chamber of commerce.

I want to refer the minister to his speeches in this respect on these several occasions and ask that he give the house an explanation, and go further than merely saying that our obligations herein—I am paraphrasing his words—do not come into the current accounts. Certainly this does not enter into the deficit figures found at the end of his address on Tuesday night.

We are to have a known cash deficit of a billion dollars. I suggest that we will require at least a billion and a quarter dollars not only to undertake what he has told us about specifically but also to assume the responsibilities that he has announced in connection with Foreign Exchange Control Act operation. How does he propose to finance this? We must know before the debate concludes. Is the minister going to do it by monetizing the lion's share through the banking system rather than with important public purchase?

He will have noted that the day after his presentation of this budget those people who usually have the most acute awareness so far as inflation indicators are concerned, acted rather promptly. There was an unusual rise of five points on the Toronto stock exchange yesterday. Most people that I have met say that this would be a well known hedge taken against inflation. I think the minister should perhaps have regard to some of these reactions. Apparently the investors in the financial markets think there might be inflation and that they should hedge against it in the market. Certainly they were grabbing for stock equities yesterday.

Last year the minister told us proudly that all was well. He said the treasury would be in a surplus position and, as I have suggested, he remained blind to any other indicators for quite a long time. Immediately after the presentation of last year's budget a very interesting publication was issued by Saunders Cameron Limited of Toronto, to its clients and others. This is a bond house whose publications are often quoted. They had this to say four or five days after the minister had presented the budget on March 31, 1960. I quote:

One of our friends feels it has gone too far—