

*Supply—Finance*

our business this evening. Having said that, I will have some comments to make on the various items as they come before the house.

**Mr. Pearson:** The minister, I understand, said a few moments ago that in the course of this session he has said, everything on these matters that needed to be said. I hope I am not misquoting him. He said a great deal, and we appreciate the information he has given us, but I doubt very much that he has said everything that needed to be said. I do realize, as my hon. friend who preceded me realizes, that this perhaps is not the most propitious time to make a long speech on the financial and economic situation that confronts us now, even though the general item for the Department of Finance is the appropriate occasion to do that.

However, I do not want this session to end without giving the minister one or two further opportunities to interject "Nonsense" or "Rubbish", so I hope he will forgive me if I make a few remarks on the general financial picture. There is no doubt the country is facing serious economic problems: Unemployment still remains high, in spite of the seasonal improvement and the seasonal improvement will soon be coming to an end; increasing prices; the threat, at least, of inflation; a large government deficit and increasing public debt; scarcity at the present time of mortgage money; a reduction in housing construction; tight money, if I may use that expression, with unprecedented levels of interest rates; and a depressed bond market.

I do not want to prolong this discussion by referring to all these serious problems because that would take a great deal of time, but I do express the hope that they will receive and continue to receive most careful and continuing attention of the government, and that some effective solution can be found. Otherwise, when parliament meets again, we on this side will certainly be fully justified in criticizing the government for its failure to meet these problems. However, I do want to refer, and it will only be for a very few minutes, to one or two specific problems with which perhaps the minister might be good enough to deal.

The first is the money supply. The money supply, as the minister knows, reached a peak in October, 1958, I think it was, after the conversion loan and then, for a time, there was a reduction. But recently it has been on the rise again and a new peak has, I believe, been reached. The money supply has increased since May 27 by about \$140 million. If that trend continues there would indeed be more than a danger of inflation.

There might, indeed, be the reality of inflation especially when we approach a condition of full employment, and it is the prediction of the government that we are approaching a condition of full employment. If this money supply keeps on increasing the inevitable result, I suggest, will be inflation. We will be watching, on this side, very carefully what happens on this front during the next few months.

Perhaps I might say a word about the debt position of the government. The situation in that respect is I believe worrisome and, I think, worsening. At the end of June, 1958 Canada had a record total debt for all time of \$4,800 million due in two years or less. That, I suppose, was the real reason for the conversion loan of the summer of 1958, to stretch out that debt. Assuming, Mr. Chairman, there are no cash bond issues, that the October maturity is rolled over into a two-year or shorter bond and that all maturing bills are rolled over and that the current six months bill cycle is completed, we will again, I believe, have a record short term debt at the beginning of next December when \$1,021 million in 3 per cents due in December 1961, will become less than two years in term. At that time, next December, if my calculations are correct and on the assumptions I have made the total debt under two years might be of the order of \$5,800 million, which would be \$1 billion more than that which existed just before the conversion loan.

The question naturally arises, therefore, what is the government going to do about it? Are we likely to have another conversion loan? Perhaps the minister, even at this late moment of the session, will take us into his confidence, at least in a general way, and tell us how the government proposes to cope with this very serious problem.

Then, Mr. Chairman, there is this tight money situation. I often like to call it a dear money situation, but I have been told I should not do that because there is a suggestion of affection about the word "dear". This is a subject on which the minister was very excited when he was in opposition. I have just ventured to point out the dangers of the increasing money supply as we proceed on the road to recovery. I hope the minister will not deny, as it seems to me he has tended to do, that we are now suffering from tight money conditions. All objective and independent observers, it seems to me, have recognized this condition. The minister, more than once, has denied that these conditions exist or that they are comparable to the conditions about which he used to talk when he was referring to tight money in 1957.