

*Supply—Finance*

prevailing, that is, prevailing in the autumn of the year when the estimate was prepared.

The estimate is deliberately drawn up in such a way as to make no forecast of the movement of interest rates or of the growth or reduction in the marketable public debt during the fiscal year following. If we were ever to do that we would be giving a signal to the market in advance of the government's debt operations during the fiscal year and we would be indicating what we consider is likely to be the trend in interest rates as well as the extent of likely government operations in the financial markets.

In either case I think the committee will realize what an improper course that would be and why, for that reason, it is the proper course that we should make our calculation in the autumn of the year on the interest rates prevailing at that time and thus avoid giving any signal to the market.

In the case of treasury bills, interest rates are computed on the basis of treasury bill discount rates prevailing at the time the estimate is compiled. For Canada savings bonds the estimated interest charges are adjusted to reflect the amounts of savings bonds which on the basis of previous years' experience are likely to be redeemed during the course of the ensuing fiscal year.

In other words, the figure included in this estimate now before the committee is a calculation of the actual payments to be made during the fiscal year 1960-61 based on the information available at the time the estimate was prepared in the autumn of 1959 and without making any assumption as to the future movement of interest charges or the size of the marketable debt. In that respect we are not following any new course. We are simply following the course that has been followed by the Department of Finance for years. It is the proper course and the course which I would defend under any circumstances. When the hon. member speaks as he does today and brings forward figures he is comparing things that do not admit of being compared together.

The hon. gentleman brought up the old subject of the defence equipment account. That goes back two years. The house approved the course then proposed in the budget. This defence equipment account was set up in the year 1950 and my predecessors between 1950 and 1957 had drawn on that equipment account from time to time. They charged to it rather than to budgetary expenditures the cost of replacing certain equipment. As a result of that past practice on their part the amount in the account had been reduced from \$310 million to approximately \$165 million. At the time of the government's budget two years ago we believed

and stated then to the house that it was in the interest of good accounting practice and the maintenance of proper parliamentary control of expenditures that that account should be liquidated at that time and the house approved that procedure. It was open and aboveboard and the house gave its approval in clear terms to that proposal. I think the basis of accounting to the house for government expenditure since has been improved in consequence.

The next matter mentioned by the hon. member was, as he said, the cost to the provinces and municipalities as a result of the government's policies. The fact is, that every province and municipality today is deriving benefit from the federal government's fiscal policy as approved by the house when it adopted this year's budget. I do not need to delay the committee in pointing to the other measures that this government has taken at a very substantial cost to its own budgetary position to bring assistance to the provinces and municipalities.

The amounts paid out by way of the increase from 10 to 13 per cent in the share made available to the provinces from the yield of the personal income tax will bring to the provinces in a period of three years up to March 31, 1961 an estimated \$195 million to \$200 million. In addition to that we have provided \$25 million a year by way of Atlantic provinces adjustment grants, this being the third year of those payments. In addition to that we have increased by tremendous amounts, on which I gave the house a full accounting in the budget speech on March 31, the federal contributions to shared cost programs for the assistance of the provinces and their institutions.

The next point made by the hon. member was an extraordinary statement. He said that the Department of Finance is in control of our monetary system. I have to inform the hon. member that the Department of Finance is not in control of our monetary system. The government is not in control of the monetary system and for very good reason. Parliament has legislated on that subject and placed control of the money of this country in the Bank of Canada. I gave the house a full statement on that subject when I spoke on April 27 and 28, 1959.

In speaking next about our bond offerings the hon. member undertook to say that our bond offerings had been of very short maturity and he said that our bonds were selling lower than those of almost any country in the free world. What are the facts? I will come to the treasury bills later, but let us look at interest rates on bonds.

I have here a comparison of interest rates from other countries. I will not delay the