

*Government Monetary Policy*

themselves may be given the main responsibility for restoring peace and order in that nation and allowing it to develop in freedom in the years ahead.

We shall certainly look forward to the visit of the President of the United States, and I am certain that all Canadians will welcome the announcement of the Prime Minister that at some date convenient to the President he will be with us in Ottawa.

At six o'clock the house took recess.

**AFTER RECESS**

The house resumed at 8 p.m.

**SUPPLY****UNEMPLOYMENT—GOVERNMENT MONETARY POLICY AND DEBT MANAGEMENT**

The house resumed consideration of the motion of Mr. Fleming (Eglinton) for committee of supply, and the amendment thereto of Mr. Pearson.

**Mr. W. M. Benidickson (Kenora-Rainy River):** Mr. Speaker, I want to continue rapidly with this anthology of drift, procrastination and abdication in the field of monetary policy on the part of the government of the day. I was referring to 1958. I am not going to deal with the conversion loan. It was mentioned by the Leader of the Opposition (Mr. Pearson) and I know it will be referred to by others. I do, however, want to put on the record what the Bank of Canada had to say about their co-operation in this respect. We all know that this operation hogged the market to such an extent that municipalities, provinces and corporations were practically pushed out of the money market. The bank explains it this way on page 4 of the report for the year 1958:

The degree of monetary expansion experienced prior to October 1 was substantially greater than would have been necessary or desirable for monetary and economic reasons alone but was, I believe, justified and unavoidable in order that a strenuous and successful effort might be made to deal with serious problems affecting the financing of the government's cash deficit and the condition of the public debt.

I simply want to draw the attention of the house to the fact that the amount of debt which will mature in less than two years is today considerably greater than the amount of the debt under two years prior to the conversion loan, so not very much progress has been made in this respect. Let us look rapidly at 1959. This was another year of hesitation, confusion and delay. I will just read quickly some of the headlines from the financial papers of Canada during 1959:

"Organized Confusion", "Frenzied Finance", "Inconceivable Blunders", "Misguided Mud-dles", "Abdication of Leadership", "Gross Lack of Understanding", and so on.

We all know that this was the year when a new load of taxes amounting to \$352 million for a full year was imposed upon the Canadian people. I want to remind the house that this government seems to be an Indian giver. They bragged a great deal about increasing old age pensions in 1957. At the rate of \$9 per person the expenditure works out to about \$100 million for a year, but if one looks at the amount of money that is likely to be brought in strictly for the old age security fund as a result of new taxes imposed in 1959 one finds that it works out fairly close to \$200 million, so that for every dollar given in 1957 a tax of \$2 was imposed in 1959.

Again, the same practice seems to have been put in effect in 1959 with respect to the unemployment insurance fund. Premiums were increased and it was estimated that the increased premiums would bring in an additional \$97 million but the new benefits provided that year by legislation amounted to a calculated value of only \$24 million, so that in effect another new tax was imposed amounting to the difference, namely \$73 million. It would appear that in 1959 the Minister of Finance (Mr. Fleming) and the Prime Minister (Mr. Diefenbaker) for a great number of months while the interest rate was rising to unprecedented levels did not seem to see eye to eye and there was a great silence throughout the land. In that year those normally friends of the government made such comments as the following.

The *Toronto Globe and Mail* said:

—under Mr. Fleming the government "has not yet arrived at a fiscal policy . . . is simply struggling to raise money for a 12-month period".

Mr. Meyer, the financial editor of the *Montreal Gazette*, had this to say:

The lack of leadership here—how more exemplified than by the continuing and unconvincing insistence that the government has not imposed a tight money policy—has contributed quite as much to the high cost of borrowing as has the rising demand for funds on a fixed supply.

In October 1959 the president of the investment dealers association said:

The underlying issue is the absence of leadership by the government in monetary matters.

I go quickly to 1960. We recall that the minister, with great pride, presented a budget which he thought would be balanced at least to the extent of a surplus in the small amount of \$12 million. Unfortunately the surplus seems to have been the thing that has disappeared with the melting of the