

The Address—Mr. Pearson

March, 1958 were not greatly in excess of the previous year under the minister's predecessor. The estimate given by Mr. Harris in 1957 amounted to \$5,018 million and the preliminary figures given by the Minister of Finance for 1958 amounted to \$5,086 million, and that represents an increase of only 1.2 per cent, in spite of the fact at that time we were in the middle of our recession.

I think, therefore, we are justified in saying that even in the application of their own theories for anti-recessional and non-inflationary policies they were not successful because they acted without vigour at the right time, and that the approach they made at that time along lines which they advocated themselves—and which we still think were wrong lines—meant delayed action. The consequences of this delayed action are now facing us in terms of inflationary pressure.

The Minister of Finance having announced last June in his budget speech that the recession was over, which was not the case, and having recognized last June as I have stated the danger of inflation, and having begun to look for a new course, is now faced as a result of that budget with budgetary expenditures 8.1 per cent higher than in 1957-58 or a minimum of \$5,500 million, having regard to that defence budgetary account of which he took advantage last year. Federal cash expenditures, which include non-budgetary disbursements and charges, are expected to increase by 17.3 per cent to a figure of \$6,640 million. This is a greater increase than is planned for in the United States, where the increase planned is of the order of 13 per cent. We will have a deficit of hundreds of millions. The minister says he accepts a budgetary deficit of somewhere around \$700 million, but there are a lot of people who think it may be more than that. Whatever it may be, it will be hundreds of millions of dollars, and the result of this is that there is now decreasing confidence in the country, in the stability of our dollar, and this means danger. Steps should be taken to remove that danger.

One indication of that fact is contained in the figures for the holding of government bonds by the public. At the end of the year 1958 the Canadian investing public held less government bonds than at the beginning, \$7,953 million as against \$8,628 million. This occurred in spite of all the exhortations of hon. gentlemen opposite. Far too much money had to be borrowed from the banks, therefore, to meet the deficits which were piling up every month and that has added, as the minister knows quite well, to the inflationary pressures on our economy.

[Mr. Pearson.]

The financial editor of the *Montreal Gazette*, no member of a political opposition, put the position clearly last autumn when he wrote that the evidence points to a disturbing conclusion that the bond buyer no longer has any confidence in the government. In their preference for corporation bonds, investors are saying in effect that they no longer have confidence in the government to redeem its commitments. The integrity of Canada's credit has never been questioned before as it is being questioned now.

Mr. Fleming (Eglinton): Does my hon. friend share that view?

Mr. Pearson: I think there is a real danger—

Mr. Fleming (Eglinton): Will my hon. friend tell me whether he shares the view expressed in that article?

Mr. Pearson: I am giving my view in this speech and the words will be on record in *Hansard*.

Mr. Fleming (Eglinton): You dodged the question.

Mr. Pearson: I say, Mr. Speaker, that these are impressive and serious words coming from the editor of a publication which has no reason to adopt anything but a friendly attitude toward the government in a matter of this kind. If that kind of evidence is available, is it not well that it should be made clear so the government will do something about it and so that next year this particular gentleman may be able to write something else?

But, says the minister, look at our amazingly successful conversion operation. Well, I have looked at it, as many others have. I have looked at it long and hard, and with others on this side I shall have something to say about it later as the session develops. I shall content myself with saying now that it certainly was not the dazzling success the minister thinks it was.

Mr. Fleming (Eglinton): What are you waiting for? Why don't you say what you have to say about it now?

Mr. Pearson: The minister says, why don't I deal with it now? The fact is I am trying to deal with the inadequacies, the sins of omission and commission of this government, and if I deal with all of them at this time I shall have to go on for about a week. Furthermore, some of my friends on this side of the house would like to take part in this debate. They will have something to say on the conversion loan so that my hon. friend will not be disappointed.

Mr. Fleming (Eglinton): The Leader of the Opposition pointed at the C.C.F.