

*The Budget—Mr. Benidickson*

respect to the costs of the operation and we only this session gained some information of that kind.

As the hon. gentleman who interrupts knows, the Minister of Finance is certainly one who has maintained with great fervour that this scheme was an unqualified success. Indeed, he says it so frequently that I suspect there are many Canadians who wonder if it is not a case of the minister protesting too much.

**An hon. Member:** Mr. Coyne says so.

**Mr. Benidickson:** I am going to indicate some questions that I feel should be very carefully considered by all hon. members of this house particularly when we are being asked to raise taxation for a one-year period to the extent of some \$350 million. I have indicated that the sentiment of investors vis-à-vis this government has not improved and in fact seems to be on the decline, despite protestations that this conversion loan was an unqualified success. I believe it is a well known fact that since this government came into office—we will take the period from the end of June 1957 to the end of March 1959—it has increased the amount of our debt by \$1,664 million and at the same time the money supply is about \$1,720 million greater than it was at that time. I do not think anybody can deny that the deficit announced last June has been the cause of the conversion as well as the cause of this unprecedented expansion of the money supply. The government's need to borrow money is the explanation of both of these operations.

I think the following is rather significant. I noted that one of our most respected officials who has retired from the Department of Finance is reported in an article at page 394 of the November-December journal of the Canadian tax foundation. I think this statement is typical of the down to earth remark one would expect from Dr. A. K. Eaton. Describing the role of civil servants in the finance area he said:

You cannot pretend to be fighting inflation at a time when you have lined up your powers behind the government in a drive to sell bonds to meet deficit financing.

There are a number of facts we have obtained this session with regard to the conversion loan. I ask hon. members who have asked me questions about this particular operation to reflect on the matter and tell us what they think about some of these startling results. The Minister of Finance in returns to those on this side who have asked these questions has indicated that we can now take the immediate cost of the operation to be \$42,400,000 for premiums, \$19,478,000 for commissions, \$7,300,000 for issuing fees, \$1,495,000

[Mr. Benidickson.]

for advertising and \$1,265,000 for administrative costs. Those immediate costs alone total \$71 million plus, to get the project launched. Even more important, I think, is the cost that is involved in the years ahead.

I continue to draw the attention of hon. members to the relationship to the need for increased taxation. The Minister of Finance has indicated that the annual interest on the new bonds will be \$58 million more than what was paid on the bonds that were converted; there is an amortization charge on an annual basis of \$6 million; that totals \$64 million.

The important thing I want to ask hon. members who have interrupted is this. Can they give me any good reason—and we have heard nothing about it from the administration—why the conversion committed itself to maturities well in the future. I refer to the 6th, 7th, 8th and 9th victory loans. Permit me to state what the result of that cost has been. The extra interest that will have to be paid for the 6th victory loan, which would not have matured until June 1, 1960, is over \$13 million. Calling in advance the 7th victory loan results in an expense of \$44 million; for the 8th victory loan, not due until October of 1963, \$91 million, and for the 9th victory loan, not due until 1966, \$165 million in extra interest. The total of interest with respect to these particular maturities is the staggering amount of \$314 million.

But that is not the whole story. In addition to that, premiums had to be paid for the conversion of these loans. That involves another \$30 million, giving a total of \$345 million. I point out that this is very close to the increase in taxes we are discussing here. As an hon. gentleman on this side suggests, this could perhaps be referred to as a howling success.

Another question I would direct to hon. gentlemen opposite is this. Have they received a satisfactory and convincing answer to the question posed by the fact that in the case of the 17-year 4½ per cent new bonds and in the case of the 25-year 4½ per cent new bonds there was no elementary prudence taken in putting in, a few years in advance of maturity, a provision that would give a right on the part of the government to call them. This has been more or less standard practice in the past. In other words if interest rates go down within the 17 and 25 year periods the government has no right to call in those bonds.

Surely hon. members supporting the government have heard from many constituents, as I have, another criticism to the effect that from sorry hindsight they rather think they were diddled by this operation. They are