

Finance has done in connection with this new offer: he has made these $4\frac{1}{2}$ Dominion of Canada bonds unredeemable until the expiry of 25 years; and in doing that, I submit, he has done a most inadvisable thing.

These are a few of the considerations which come to the minds of some of us when we think on the financial implications of the sort of thing that is going on today. I must confess, honourable senators, that I am disturbed at the financial condition into which this country is drifting and has been drifting during the past few months. During the last election campaign we heard a good deal about the "new vision". I only hope that the new vision will not turn out in the end to be a nightmare which will leave in the mouths of the Canadian people, when they wake up from that nightmare, the bitter taste of inflation.

Hon. W. D. Euler: Honourable senators, I had no intention of debating this matter at all. I quite agree with what has been said by the senator from Inkerman (Hon. Mr. Hugessen), but I would like to point out something that has been in my mind for many days. The chief cause of our heavy expenditures is, after all, what we call defence. I believe that the intended expenditures for defence purposes this year amount to something like \$1,700,000,000. I may be wrong, but a few hundred millions don't seem to mean anything nowadays. I criticize this expenditure for the reason that it does not accomplish the purpose for which we vote the money. No one objects to expenditures for the effective defence of Canada, but my contention is that we can spend two or three billion dollars a year for so-called defence and still have no defence against one possible form of attack. Our so-called enemies—and I can name them definitely, the Russians—claim they have an intercontinental missile which can destroy everything and that there is no defence against it.

I would like to make an observation about a matter which is now being discussed and upon which some action is expected to be taken. I maintain there is every reason in the world why both sides should get together and decide to be at peace, instead of continuing to expend billions of dollars for defence against something against which there is no defence, the intercontinental missile. Let us stop this tremendous, ruinous, suicidal expenditure that we make every year.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Aseltine: I move the third reading now.

Hon. C. G. Power: May I ask a question arising out of the observations made by the honourable gentleman from Inkerman (Hon. Mr. Hugessen)? Am I to understand that the additional cost in the way of interest arising out of this conversion is to be \$60 million per year, which would amount to \$1½ billion at the end of the 25-year term? In other words, will it cost us \$1½ billion to convert \$6½ billion of bonds?

Hon. Mr. Hugessen: If I may answer my honourable friend, nobody can tell that until it is known how many Victory bonds are converted into new bonds of each of the maturities, with their different interest rates. I thought I made it quite plain that I believe the great majority of the holders of the \$6½ billion will convert into the long-term 25-year bonds bearing interest at $4\frac{1}{2}$ per cent. On that basis it is a very simple calculation to determine $1\frac{1}{2}$ per cent on \$4 billion. It is \$60 million. Nobody can tell whether it will be more or less.

Hon. Mr. Power: But on the assumption that \$4 billion will be converted, am I right in my calculation that at the end of 25 years the country, in order to bring about this conversion of \$6 billion, will have paid \$1½ billion?

Hon. Mr. Brunt: No, you are not. I shall show the honourable senator a table after we have adjourned.

Hon. Mr. Power: I do not want a table later on; I would like an answer now.

Hon. Mr. Brunt: I know your figure is not correct. I can show you a table stating what the figure would be if all the bonds were converted into the long-term maturity and also if a proportion went into each of the other maturities. It is nothing like that figure.

Hon. Mr. Power: Is there anything wrong in the assumption by the honourable senator from Inkerman (Hon. Mr. Hugessen) that probably about \$4 billion will be converted into long-term bonds?

Hon. Mr. Brunt: I have no idea where he got that figure. No one can tell at the present time.

Hon. Mr. Power: Assuming that his guess is right, would it then be correct to say that it will cost \$1½ billion to convert \$6 billion? Are my mathematics wrong?

Hon. Mr. Brunt: I am afraid so.

Hon. Mr. Thorvaldson: I suggest that the honourable senator do his own arithmetic.