

Unemployment Insurance Act

the public. The fund contains many government bonds, and according to Mr. Coyne at one time there were more bonds in this fund than in all the insurance companies combined. I take it that the economic outlook is and should be available to the members of the industrial relations committee. I take it also that estimates about future unemployment are available to them from the Department of Labour, and if the Department of Labour does not supply this service it certainly should do so.

Mr. Chairman, I would like to give one example of which many might come to mind where the dual capacity of the investment committee would come in evidence, where their interests could and possibly did conflict. There was a time last fall when the Bank of Canada supported the price of the new conversion bonds. They supported these at par or near par. Suppose we assume that they thought these bonds were going down in price and they had every reason to think they would be going down because they had to support the price of these bonds, would this not have been a good time, therefore, for the investment committee to sell enough bonds and buy treasury bills to meet all possible obligations they might have in the unemployment insurance fund for a year or more? This might have been calculated from the economic outlook which was denied to us, and also from reports of the Department of Labour. To have sold them would have made it better for the fund but worse for the Bank of Canada supporting the price of these bonds. To keep them, as they did, made it worse for the fund but better for the Bank of Canada and the bond market, and therefore better for the Department of Finance.

Surely there is a conflict of interest here, and no amount of talking on the part of the Minister of Finance could convince me or many other people in Canada otherwise. I do not think it is humanly possible for any man, no matter who he is, to serve two masters well. It is natural that the Minister of Finance would want to keep bond prices as high as possible in order to get interest rates as low as possible. It follows that anyone working for the Minister of Finance, whether or not he had direction from him, would have the same wish or the same aim. Supposing the fund needed cash as it did long ago, and on two or three occasions in the last year; would not the deputy minister of finance have conflicting interests in his dual position? He would have a responsibility to the fund; he would have a responsibility to the Minister of Finance as well, because if he sold these bonds it would depress the market. I think Mr. Coyne told us that if

they sold these bonds in any volume at all it would depress the bond market. I know the Minister of Finance would not want this to happen, and he has an employee under his direction who is torn, we will say, between two ideas; should he sell or should he not sell?

We know that the bond market has gone down in spite of this. The bond market is going down regularly and certainly is going down very fast if you start to compute the high interest rates paid on treasury bills and the true net cost of the recent bonds as announced this morning, and which were oversubscribed. This net cost to the treasury is something out of this world.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member is apparently beginning to discuss an issue of bonds sold this week. What on earth has that to do with the measure now under debate? We have had debate straying, goodness knows, all over creation in committee on this first clause of the bill. Certainly there is nothing in this week's bond issue which has the slightest relationship to the bill now under consideration.

Mr. McMillan: Mr. Chairman, I do not think you were in the chair at the time, but yesterday the minister himself discussed the price of bonds. He discussed the foresight and the hindsight of selling bonds. He discussed the conversion bonds in connection with raising money for deficits and for payments in connection with the unemployment insurance fund, and if he had that right yesterday I think I should have the same right in the same committee today.

The Chairman: Order. It is quite true that during the course of this debate various speakers on both sides of the house have somewhat strayed from the item under discussion. For the sake of good order and in order to respect the principle of relevance, the Chair must ask hon. members to please adhere strictly to the matter under discussion. The fact that at other times the Chair has possibly permitted various speakers to stray away from the item under discussion is no reason for the Chair to permit speakers who are debating this issue today to stray away from the principle of relevancy. Consequently it would be appreciated if all members tried to limit their remarks to relevant items in this debate; otherwise it will be necessary to repeatedly call to order various speakers. Therefore may I ask that as far as possible all speakers adhere to this item under discussion.

(Translation):

Mr. Caron: Mr. Chairman, with all due respect allow me to say that, as can be seen in the 10th report of the industrial relations