

Supply—Finance

Of this amount the overwhelming bulk is, of course, of a statutory nature, namely \$1,172,264,701.

Mr. McMillan: Mr. Chairman, I agree with the minister that we have discussed a good many of these items within this fiscal year in one way or another, and certainly I can assure the committee that I want to be brief and I have not the heart tonight to excite the minister to give us another three-hour talk.

Mr. Fleming (Eglinton): You could not even pay me to do it tonight.

Mr. Chevrier: I am glad to hear that.

Mr. McMillan: I just want to say a very few words. I always come back to the conversion loan. At the time of the conversion loan I predicted that the taxgatherer would be around for a generation. The estimates of the Department of Finance are the first evidence that we have had that that is so in connection with federal government spending. There is an increase of \$106 million to service the national debt this year and this is bound to be followed next year by another large increase not only because of the increase in debt alone but because of the increase in the cost of money to the government.

The minister has referred to the different talks I have given as doom and gloom, and tonight the references I make to my previous statements will be brief. I will quote some of the minister's statements and I am sure he can take no objection to them as they are quite optimistic.

I want to refer briefly to the conversion loan. Whether or not the government likes it, I think that loan has been responsible largely for shaping the monetary policy of the government since that time. We all know about the conversion loan. I will not pretend to deal with it except to say that I have one vivid recollection of a \$10,000 bond being converted and costing the taxpayers of Canada \$350 including, of course, \$51 in accrued interest to change this one 3 per cent bond to a 4½ per cent bond. We know that at the time \$6.4 billion of victory bonds were to be converted into two short term bonds and two long term bonds, but in spite of the greater inducement only a little over half of these bonds were converted into long term bonds and slightly under half into short term bonds. I think some of the short term bonds will embarrass the government in many cases more than if the conversion loan had never taken place.

We all know about the cost of the conversion loan. I made some predictions at that time and I should like to quote one from *Hansard*:

Dominion government bonds are the senior security and they set the pattern for other bonds. Certainly our provinces, our counties and our municipalities will have to pay a higher interest rate than formerly for their borrowings for roads, schools and other services.

We all know that interest rates have gone up for the provinces and the municipalities. What did the minister say at that time? He made a long speech on September 4. I have five quotations here but I will just give two of them. As found on page 4598 of *Hansard* he said:

As to the provinces and municipalities, in their borrowing operations they will derive the full benefit from these constructive results of the Canada conversion loan.

Again, on the same day he said as found on page 4593 of *Hansard*:

Mr. Chairman, I am thankful to say that we have stabilized the Canadian bond market.

I know that the minister made a good many predictions on that day. I think I counted some 20 or 30 and I should like to challenge the minister to name at least one or two that have come true. To help to justify the conversion loan to the committee of supply on September 4, 1958 the minister gave us a considerable list of those who had converted their bonds. He gave a list of the provinces. For instance, he said that Alberta had converted \$69 million, Manitoba \$25½ million, Ontario \$69½ million, Quebec \$2 million and Nova Scotia \$21 million. Concerning New Brunswick the minister said, as found at page 4600 of *Hansard*:

New Brunswick, with various provincial accounts, holds a total of \$6,743,000 of victory bonds, and that grand province of New Brunswick converted all of its holdings of Canada victory bonds into the conversion loan.

I wonder what the grand old province thinks about that now with a loss possibly up to 10 per cent of that amount. If we take all these provinces and add the amounts together we find that these provinces are down, so far as market value is concerned, between \$15 million and \$20 million. I met a person from New York and he said that the market was down so much he was frozen right into the market and could not get out. That is true of our provinces. They are frozen right into the bond market and cannot get out unless they take a loss.

There is just one other thing I want to say and I want to co-operate in getting along with the business of the house. The other day I heard the minister say in the debate having to do with Newfoundland that hon. members