do not apply to anything that has been done by the government in this connection.

Mr. Fleming (Eglinton): Oh, such rot!

Mr. Pearson: The Minister of Finance does not like it. He will have the opportunity to get up in this debate and challenge the soundness of my conclusions and the soundness of the conclusions I am putting on the record from non-political economic and financial experts. Dr. Burns also stated—and this confirms the wisdom of the approach our party advocated—in an article he wrote in the *Reporter,* which is also included in a book he wrote entitled "Prosperity Without Inflation" —if my hon. friend has not read he should—that:

> The emphasis at the start of a recession should ordinarily be on the easing of credit conditions, later on tax reductions for both individuals and businesses, still later on re-scheduling of federal expenditure within totals set by long-term considerations and, only as a last resort, on large public works programs.

Elaborating on this in his article he went on to say:

> It may be useful to observe that a tax reduction would avoid some of the difficulties that often go with a public spending program. Both involve, of course, a deficit but it can make a considerable difference to our economy how the deficit is achieved. A broadly based tax reduction is likely to have prompt effects on private spending during a recession, while the effects of public spending may not come until the recession is over.

The president of the Royal Bank, whom I have already quoted, agreed with this and by inference condemned, as we condemn, the government's approach to recession and inflation when he said in his January statement:

> Last year, as in previous recession years and while the economy was still on the down grade, I urged tax cuts by government and price cuts by business. Instead of tax cuts last year which would have encouraged business activity while reducing pressure on prices, we got increased government spending. Instead of an immediate deficit last year, timed to coincide with the depth of the cycle, we find ourselves today with a delayed deficit which has timed itself to coincide with the present recovery and the emergence of a new inflationary potential.

Mr. Speaker, surely that is the answer to those who say that there would have been no difference between our approach to this problem a year and a half ago and that taken by the government. Those are the principles on which we would have operated and they would have been far more effective in the situation, I believe, than anything the government has tried to do. Anti-recessionary policy based on early tax reductions can be quickly adapted to changing conditions and altered when necessary with very little longterm inflationary effect when the recession ends. It puts the government in a position to balance its budget or to make a surplus as soon as conditions improve. It maintains confidence and minimizes the danger of inflation.

What did this government do? Had they any consistent views or principles or policies to deal with the situation? I suggest, Mr. Speaker, that they had not.

Having finally recognized, or some of them having finally recognized the dual and serious nature of the economic problems, they have tried to solve it in a confused, piecemeal, unsteady manner through policies economically unwise but politically, they hoped, popular. This has resulted, not in the end of abnormal unemployment—far from it—but in placing an inflationary time bomb right in the midst of our national economy at the very time when they admit—or some of them do—that inflationary dangers are growing. To the extent that they have consciously followed anti-recession policy, it has been based on longterm permanent expenditures rather than tax cuts, planned and co-ordinated at the early stages of the recession which, as the recession lifted, could have been modified or made to apply retroactively without changing current tax rates.

This would have been sound and sensible economic and financial policy. The government, however, preferred a political approach with unco-ordinated public expenditures which when added up reached a much higher figure than any expert would have said was wise—including, I believe, a lot of experts in the minister's department—and which cannot now be altered, once inflation replaces recession as the major danger. No wonder the government is divided and floundering, wondering which course to follow and meanwhile exhorting everybody else to hold the line. As Mr. Bruce Hutchison pointed out in the current edition of *Maclean's* magazine, and I quote:

> It is vain for the government to exhort the nation to safe courses, ridiculous for it to tell everybody else to 'hold the line' so long as it is breaking the line itself and generating the very inflation which it solemnly deplores.

So, we ask ourselves that question. Is the policy of this government generating that kind of inflation?

What is the prospect? The prospect is for increasing government expenditures with unemployment still high; deficits not only for this year but for years ahead unless—and this is how the government can get out of it—taxation is sharply increased; expenditures greatly reduced; or inflation is allowed to take its course. Now, there it is. While the government took the decision in the fall of 1957 to increase government expenditures, federal outlays during the fiscal year ended