

Government Monetary Policy

that budget the minister told us he would need a great deal of money during that summer, and immediately afterwards the hon. gentleman launched the conversion loan which, I will say, was ill-conceived and certainly ill-timed.

We all remember the high pressure that was put on holders of victory bonds to change their 3 per cent bonds to long term $4\frac{1}{2}$ per cent conversion loan bonds, and we know that the Minister of Finance and the Prime Minister (Mr. Diefenbaker) both went on the air in support of this program. They paid the public a bonus to switch. During that campaign, on September 4, 1958, I related to members in this house how I had witnessed the conversion of two bonds. I gave the details of the conversion of one bond. I saw one man at a bank with a \$10,000 bond to be converted. It cost the government \$350, including \$51 accrued interest, to change that bond from a 3 per cent bond to a $4\frac{1}{2}$ per cent bond. In other words, the bonus was \$250, the commission to the bank was \$100. The government put up \$350 to change one bond on which they had paid \$300 a year interest to one on which they had to pay \$450 interest thereafter, an increase of 50 per cent.

The market became glutted with bonds at that particular time and I understand that most of the small people traded in their bonds. This was not true of the big investment companies. Because those big investment companies unlike the unemployment insurance fund, did not trade in their bonds, they were able to wait around for a higher interest rate that they could get in gimmicks and in treasury bills.

The Minister of Finance and the Prime Minister told us that the patriotic thing to do was to convert. The Prime Minister said it would mean bigger and better jobs. They both said that the provinces and the municipalities would be able to borrow to better advantage. In fact, they said everybody would get money cheaper. We on this side of the house said that the opposite would result. We said that it would cost the provinces and the municipalities more money; that it would cost business more money; that it would bring about stagnation in our economy and unemployment. Certainly, nobody will say that that has not come about. Since we knew that the ministers would be requiring new money at the time of the conversion loan this was not hard to see. You did not need to be clairvoyant or a crystal gazer; you did not need to be an economist, you just had to use common horse sense. I am surprised that the minister himself did not see this.

Mr. McGee: Will the hon. member permit a question?

Mr. McMillan: He is generally wrong. I know that on two occasions he prophesied a surplus, but on both occasions he was wrong. I will not get into an argument with the hon. member for Greenwood (Mr. Macdonnell) on whether he was 100 per cent wrong or not wrong at all, but at least he was wrong on both occasions.

The interest on our debt is up \$200 million over 1958 and when you include the extra bonuses and commissions in the last three years, the extra interest has aggregated \$600 million. Our extra interest bill per day is over \$500,000, and is very close to \$600,000 a day.

During the high pressure sale of the conversion loan I predicted our extra interest bill, because of that conversion loan alone, would be \$64 million a year. I hit it almost on the nose. I was a little under, however, because I did not take into consideration the cost of printing, bonuses and commissions, which brought it up more than that.

In talking about the extra interest on the conversion loan on September 4, 1958, I said that the extra interest which the Minister of Finance was putting on the people of Canada would build 100 printing bureaus, one every three months for the next generation, or one almost every mile from here to Montreal. All I can say is that I underestimated at that time.

The conversion loan got us into a trap. It is a trap of the government's own making. As expensive as the conversion loan was, it was cheap when you consider the financial manoeuvring and wiggling that have been going on to try to escape from the effects of the loan. I say that the government will never escape from that and we know, if we start talking about printing bureaus—and that subject was to the fore at that time—that the minister could have 36 printing bureaus now before the ink is dry on the last bond that was sold.

I just wish to say a word or two about unemployment. All of this has had a serious impact upon our economy. Many of the unemployed people are in serious financial straits. In many instances their unemployment insurance has run out and they are on relief. The amount of relief is inadequate and varies from municipality to municipality. I read many accounts of the plight of the unemployed in the minister's home of greater metropolitan Toronto. We can see accounts in any of the Toronto papers. Social workers in Toronto are on record as saying that this help is inadequate. They describe men who go from social agency to