

Government Monetary Policy

Mr. Fleming (Eglinton): He said "What suggestions".

Mr. Pearson: A recession which has resulted in 10.8 per cent of the people of this country being out of work.

Mr. Fleming (Eglinton): He did not say "what recession"; he said "what suggestions".

Mr. Campbell (Stornont): The Leader of the Opposition misunderstood me. I said "what suggestions".

Mr. Pearson: I apologize. I thought the hon. member said "what recession". I am told now that he said "what suggestions". If he will read his *Hansard* he will find out about the suggestions, and he will find out more before this debate is concluded. It is quite clear, however, to any student of this matter that economic policy and fiscal policy cannot do the job alone, that they must work with and be co-ordinated with other governmental tools, that they must be supplemented by sound debt management policies to promote confidence in our financial markets, and by sound monetary and credit policies to make credit easier and cheaper at this particular time.

These are the two aspects of employment and economic policy that I want to deal with in my remarks and the amendment I intend to move. The Prime Minister told us last week that the labour estimates would be called tomorrow, so we have a right to expect a general debate on other aspects of the unemployment problem without delay, perhaps on Wednesday of this week. The best occasion to go into the whole question of unemployment will be on the estimates, which we expect will be taken up not later than this week. That will enable us to get answers from the Minister of Labour to the many questions we have and, furthermore, it will permit many members to take part in the discussion rather than the small number able to participate in a debate of this kind on the motion to go into supply.

Today, Mr. Speaker, as a backdrop and as a preliminary to the discussion of unemployment which we expect to have on the estimates of the department beginning on Wednesday of this week, I want to initiate a discussion of one of the root causes of our current recession and of present unemployment, namely, the irresponsibility of the government in the field of monetary policy and its incompetence in the field of debt management.

We have already criticized the government more than once in the House of Commons for its inadequacy in these fields. We have criticized the government for its monetary policies, if it has any monetary policy, which I will

[Mr. Pearson.]

come to later; for its credit policies; for its debt management policies. That criticism has been echoed and underlined outside the house by bankers, by labour leaders, by financiers, by economists, by financial editors.

Specific and serious criticisms have been made by responsible persons against the government's monetary and financial policies, and up to the present at least the reply of the government to these criticisms has been that the government has no responsibility for monetary policies. When the governor of the Bank of Canada has made important statements in this and related fields, the Minister of Finance so far has refused to say whether or not the governor of the Bank of Canada is speaking for the government. Indeed, the minister has taken a very narrow, legalistic view of the responsibility of the government in this field.

The governor of the Bank of Canada makes his speeches, and he does not answer his critics because presumably he assumes that the government will do so. The governor of the Bank of Canada in Newfoundland and elsewhere has emphasized the danger of the import of capital from the United States at this time adding to our unfavourable balance, while the Minister of Finance goes to New York and emphasizes the fact that the government does not wish to do anything to discourage the import of United States capital for the development of this country. One contradicts the other in this field, and the result obviously is a feeling of instability, a feeling of uncertainty, a feeling of confusion in a field, that of bond markets and finance, where such confusion and uncertainty can do the most harm and where rumours and reactions can indeed be determining factors.

Because no one in this country is clear about what is happening, rumours obviously are rife. There are rumours of complete agreement between the minister and the governor, as indeed there should be, in regard to the content of the latter's speeches. There are rumours of serious division of opinion between them. There are rumours of divisions that exist in the cabinet. There are rumours that the governor of the bank has requested a series of controls which, to say the least, would have an unfortunate effect on our economy.

An economic consultant certainly not unfriendly to the government, Dr. J. R. Petrie, referred to these rumours in a recent speech. His reference to these matters is not only that of an expert but of an objective expert. He said this, and I quote from Dr. Petrie's speech of January 31, 1961, entitled "The Economic Scene in 1961", in which he