

*The Address—Mr. Chevrier*

committee was chaired by none other than Senator Byrd who sent to the presidents of twelve federal reserve banks of the United States a questionnaire the last question of which reads as follows:

List and briefly discuss what you consider the causes of the present recession and what should be done to terminate it.

The reply of the twelve banking institutions was unanimous and I quote:

If consumer spending sags this spring a substantial but temporary reduction in broadly based taxes would be most effective and appropriate.

The presidents of the twelve federal reserve banks mentioned cuts in personal income tax, excise and sale taxes and also said as follows:

Some forms of corporation tax reduction might also be expected to have stimulating effects on business activity and employment.

The bank heads said:

Any government public works program that might be required should concentrate on projects that either have been started or are ready to go. The great danger in a public works program, they said, is that it will only attain substantial momentum after the greatest need is past and may then accentuate inflationary tendencies.

This is not the member for Laurier or the Leader of the Opposition speaking. This is a group of well informed bankers and it is also the result of a study made by the committee composed of many senators in the United States.

I have dealt, because of time, only with what the presidents of these banks have said but I could go through the report and quote from it, as I will in a moment on another subject, statements not only to substantiate the position I am taking but statements which are in direct opposition to what the Prime Minister said this afternoon.

It is also interesting to note the answers to the first part of the question which I mentioned earlier—"list and briefly discuss what you consider the causes of the present recession"—and at page 153 of the hearings of the committee on finance, chapter 1, one of the presidents of the banks states as follows:

The underlying causes of the recession of 1957-1958 are to be found in the excesses and imbalances that have developed during the boom of the preceding two and a half years. These developments included a growing inefficiency in the utilization of labour and resources, inaccurate estimates of sales potential in certain major industries and an accompanying over-expansion of business investment in plant, equipment and inventory. In addition the high degree of liquidity, which was built up in 1954 and carried over in 1955, contributed to the rapid expansive developments of the period.

These and other statements made by bank presidents during the whole of this inquiry,

as reported in the proceedings of the committee which I hold in my hand, sound to me very much like the report of the governor of our own Bank of Canada. According to his report it is not credit restrictions which brought about the recession but the decline in business investments following the development of excess capacity in a number of industries as set out in the quotations from the committee on finance in the United States. To illustrate the point, here are a few quotations from the report of the governor of the Bank of Canada to the Minister of Finance for the year 1957. First at page 1 I read as follows:

The great upsurge in economic activity which had been the outstanding feature of 1956 continued to dominate the scene in the first part of 1957.

And again on the same page:

Expenditures . . . had risen dramatically in 1956, and capital investment intentions for 1957 showed that total planned expenditures for the year were 8 per cent above the record level of the previous year.

On page 5 there is another quotation I would like to give as follows:

Despite these signs of weakness in certain areas, the total of investment plans continued to rise and the mid-year survey of investment intentions published by the Department of Trade and Commerce in July indicated that the total of investment programs for the year 1957 had been raised by a further 3 per cent during the preceding six months.

Actual total expenditure on fixed investment (both public and private) in the second quarter of 1957 was almost 30 per cent of total output, an exceptionally high rate by any international comparison and greater by one-half than the rate in the United States.

As a matter of fact it was greater than that in any other country in the world. I continue:

As already mentioned employment was rising as rapidly as it had in 1956, and continued to do so until October.

And then, on page 7:

The main effect of the easing of world markets was to bring about an earlier decline in resource investment than would otherwise have occurred.

The present economic situation calls for a sound and realistic appraisal of its underlying causes and, above all, for quick and bold action. Now that the government has an overwhelming majority in the house the Canadian people will expect it to devote less time to politics and more to the solution of our urgent problems. It will also expect the government to work more closely with its advisers and genuinely to seek the advice of its experts before reaching policy decisions.

We have been disturbed by the recent resignation of top ranking officials and by the attacks made by ministers upon the governor of the Bank of Canada. It is widely recognized that our civil service is one of the best in the world. The government should