

Supply—Finance

the last fiscal year, do I understand the minister to say that there would be knowledge of those figures at the time the minister made his estimate in his budget for a surplus or a deficit, and that that fact would be considered at the time he made up his estimates; is that a correct summary?

Mr. Fleming (Eglinton): I am not quite clear so far as this figure of \$38 million is concerned. We show in this year's estimates, on page 23 and again on page 187, a comparison of the interest cost or the interest on the public debt for the fiscal year 1960-61 with our estimate for 1959-60, and of course these estimates were made in the autumn. The estimate for 1959-60 was \$651 million and the estimate for 1960-61 is \$739 million. On page 98 of the budget papers we showed the details of the annual interest charges amounting to \$632 million, and showed the total annual interest charges on unmatured debt, including treasury bills as of March 31, 1960. Apparently the hon. member is comparing the figure of \$632 million shown in the budget papers with the figure of \$594 million appearing as one of the figures on page 23 of the blue book under the item, interest on public debt.

Mr. McIlraith: That is right.

Mr. Fleming (Eglinton): I think I have clarified that point. The annual interest charges as detailed on page 98 represent the figures of interest charges worked out on the unmatured debt at March 31, 1960. Now you can have interest calculated in two different ways, and it depends on the time of year when you do it. You can wait until the end of the year and make a precise calculation. If you are making the calculation before that you have to introduce figures of estimate. I think I dealt with this subject in the discussion at the end of the session of 1958, and certainly in the session of 1959, when I outlined the ways in which this matter of interest could be calculated. We have given here the figures and the information and indicated as plainly as we could how those figures are arrived at. I have pointed out that in seeking to make the comparisons the hon. member for Welland sought to make this afternoon he was not comparing comparable figures. He was comparing different things.

Mr. Pearson: Mr. Chairman, I think it must be a little disappointing to the minister that his estimates, which deal with matters of such importance, have come up in the diminishing hours of the session. Perhaps he would be even a little disappointed if I did not say a word about them.

I do not intend to speak for very long and I certainly do not intend to attempt to cover

[Mr. McIlraith.]

even a large fraction of the minister's activities, because as we know—and I say this with great respect to him—he is the man of all works in this government.

The minister indicated to us a few moments ago that the fiscal and monetary policies of the government are above reproach, indeed almost above criticism. Perhaps he will not be surprised if we do not take exactly the same view of them. He said also that not the government but the Bank of Canada is responsible for monetary policy. Of course that is written into the Bank Act and in a technical sense is undoubtedly true. But the Bank of Canada can only operate in discharging its responsibility for monetary policy within the fiscal policies laid down by the government. If there is any difference between the bank and the government on such fundamental matters then it has been made clear that the governor of the bank should resign or, less likely, that the government should resign.

While the legal and technical position is quite clear, the over-all responsibility and the importance of the government with regard to monetary policy is equally quite clear. The minister will recall that the Radcliffe report in the United Kingdom outlined the situation pretty clearly recently, and I believe that in essence it is the same situation here. The minister has admitted this afternoon that the government intervened not long ago in the offering of treasury bills. Perhaps, as the minister said, it was a beneficial intervention, but it was an intervention by the government which certainly affected monetary policy.

Therefore, the government undoubtedly has in the broad political sense an important measure of responsibility for monetary policy as well as the full responsibility for fiscal and economic policy. If that were not the case then the Bank of Canada would have powers beyond that which could be admitted in any democratic and parliamentary state.

I should like to mention two other subjects. I will do so as briefly as I can and I know the minister will reply as briefly as he can. The minister has budgeted for an increase in the gross national product of 6 per cent without regard to any change in the price level. I would like to ask him on the basis of the situation that he faces at the moment and of the record so far achieved whether he still thinks that that is a reasonable prognostication. Certainly there are experts in this field not influenced by any political consideration who take a less optimistic view than the minister may take of that figure being reached. Does he therefore still think it is realistic to think in terms of a \$12 million surplus and a \$200 million over-all deficit? That surplus is perhaps not as realistic as it was 24 hours ago. One might be pardoned for