sound method would have been to put into effect a contributory system and thus let the individual, as he earns through his working years, make his contributions and be able to receive a larger pension than he is getting today under this kind of administration.

A young man who starts working at 18 to 20 years of age has a normal working life ahead of him of perhaps 45 years. If he makes a modest contribution each year he builds up a fund which, if administered on sound actuarial principles, will return him a first-class pension on his retirement. He then has the satisfaction of knowing that it is not a handout from the taxpayers of Canada, but that it is the result of his own effort. His self-reliance and self-respect are thereby increased.

There are other proposals that will lead to the spending of more money. I have no doubt that probably some of them are wise, but I come back to the point, that at this time, with our finances in their present disarray, the thought of the Government should not be towards spending but towards saving and trying to balance our budget. At the present time our budget is badly out of balance.

Hon. Mr. Hollett: Would the honourable senator allow me to ask a question?

Hon. Mr. Crerar: Certainly.

Hon. Mr. Hollett: Concerning the matter of old age pensions and the contributory idea, would not the honourable senator agree that a young man who starts, say, at 20 to 25 years of age to pay income tax and taxes on everything else is, in fact, contributing towards a pension at the time when he becomes too old to work? Is that not a form of a contributory pension scheme?

Hon. Mr. Crerar: No, I would disagree with that point of view. I am thinking of the young man who is in the income tax paying bracket —and I have forgotten what he must earn before he is required to pay income tax today.

Hon. Mr. Aseltine: $1,000.

Hon. Mr. Crerar: I would certainly allow what he contributed to a pension fund as a deductible expense, so far as his income tax is concerned. I think that is in effect today.

Hon. Mr. Hayden: It is, within limits.

Hon. Mr. Crerar: That is so with regard to certain approved pension plans.

I want to deal with the point made by the honourable the Leader of the Government (Hon. Mr. Aseltine) yesterday when he was talking about the expansion of the currency. He put up a rather plausible argument but one which was not very sound. He admitted, in effect, that there had been an expansion in the money supply, but he said that this has proved necessary to care for the expansion in the economy that has arisen through the beneficent policies of the present Government.

What are the facts? I have taken the opportunity of checking some figures I received the other day from an investment house in Toronto, one that has, I think I am safe in saying, a very fine reputation. These figures touch on this particular point. It is a difficult subject, but I shall make it as simple as I can.

In December 1957 the total money supply in Canada was about $11,900 million. On December 31, 1961 that had increased to over $15,000 million. That increase amounted to a little over 26 per cent. Those figures have to do with the money supply.

The Gross National Product at the last quarter of 1957 was at a rate of about $31,400 million. In 1961, at the comparable date, it was at a rate of $37,300 million. In other words, the increase in the money supply over that period had been 26 per cent, and the increase in the Gross National Product had been 20 per cent. On that basis alone, that called for an increase of over $750 million in the money supply.

If we add to that, as we are justified in doing, the amounts that are out in savings bonds—which are practically the same as cash —the money supply would increase from 26 to 31 per cent as against a 20 per cent increase in the Gross National Product.

I do not think these figures can be successfully challenged. I may say to the house, that this is a matter which today is giving grave concern, very grave concern, to business institutions and many private individuals all over this country. It arises solely from the fact that our spending has outpaced our revenues, and there is no denying that fact. We are loath to tax more, and I can understand that, because the point can be reached in taxation where the law of diminishing returns commences to operate. We can borrow, but we cannot borrow advantageously. We cannot sell long-term bonds without a great deal of difficulty or without a much higher rate of interest than that which we should be paying; and in the hope that things will get better next year, or the year after, we resort to measures which encourage inflation.

I submit to this house that what I have said is within the true facts, and it is a dangerous course for this country to be following.

The Government should economize drastically and cut down its inordinate spending and I for one would be willing to pay more income tax, much as I dislike it, in order to get the country back on the rails again. But, I do not see any sign of economy; there is no mention of it in the Speech from